United Nations A/C.2/53/SR.10

General Assembly
Fifty-third session

Official Records

Distr.: General
12 February 1999
English
Original: Spanish

Second Committee

Summary record of the 10th meeting
Held at Headquarters, New York, on Monday, 12 October 1998, at 3 p.m.

Chairman: Mr. Agona (Vice-Chairman) ..... (Uganda)

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98-81573 (E)

In the absence of Mr. Asadi (Islamic Republic of Iran), Mr. Agona (Uganda), Vice-Chairman, took the Chair

The meeting was called to order at 3 p.m.

Agenda item 91: Macroeconomic policy questions (*continued*) (A/53/60, A/53/62, A/53/69 and A/53/185)

(b) Financing of development, including net transfer of resources between developing and developed countries (A/53/228 and A/53/398)

(d) External debt crisis and development (A/53/373, A/53/72–S/1998/156 and A/53/95–S/1998/311)

1. **Mr. Öztürk** (Turkey) said that there was a need to limit the volatility of international financial flows, while assuring the efficient functioning of the system. Despite the current difficulties, the international community must continue to seek ways and means of improving bilateral and multilateral assistance in order to attain global development goals.

2. All the potential sources of development financing must be considered, in particular foreign direct investment and innovative sources. One of those sources could be the build-operate-transfer model, for projects that required advanced technology and high capital investment. Turkey was currently financing power plants, seaports and airports, highways, railways and telecommunications systems in that manner. Recently an agreement had been concluded under that model for the construction of four natural gas power plants which, once completed, would provide 20 per cent of Turkey's annual energy production.

3. Another important source of financing for development was foreign direct investment, in respect of which there was a need for increased harmonization of the rules and regulations pertaining to its efficient functioning, including transparency and accountability.

4. Priority should be given to the alleviation of the debt problem of poor countries. In that context, the integration of the least developed countries in the multilateral trading system was of particular relevance, since trade played a significant role in enhacning access to financial resources for development. The main objective should be to achieve better market access conditions for the least developed countries and increase their trading opportunities. The overall aim should be to strengthen and improve the mechanisms which were conducive to achieving concrete results in the field of financing for development.

5. **Mr. Al-Haddad** (Yemen) stressed the importance of the items before the Committee concerning the financing of development and the external debt crisis, particularly at a time when most of the developing countries, and even some of the industrialized countries, had been affected by the crisis. Those items must be considered in the context of the ideas and proposals contained in General Assembly resolution 52/179, especially with regard to the establishment of an ad hoc working group. The analysis should also include short-term monetary flows, the strengthening of the prospects for long-term investment, the financing of development programmes in a realistic manner and under preferential conditions, and the obtaining of the necessary resources through trade. The dialogue which had been held on all those issues had given rise to a fruitful exchange of views between the United Nations, the international financial institutions, and personalities of the academic world.

6. Globalization had positive and negative effects, and the latter included the emergence of widespread crises. Emphasis must be placed on building trust, and the importance of mutual support and association for development must be recognized, without losing sight of the need for recognition of common economic interests.

7. The lack of financing sources for development activities in the developing countries was the greatest obstacle to the achievement of national objectives. The diversity of financing modalities and many other factors made it necessary to find the best way of confronting the crises and dealing with their social, human and environmental dimensions.

8. Yemen was still living under the impact of the crisis which had erupted in South-East Asia in July 1997 and was continuing to seek ways of dealing with its repercussions and establishing strategies to break out of the vicious circle and prevent a repetition of the situation. In approaching all those questions it was necessary to be realistic; development partners should seek to coordinate their views and present consensus proposals, with regard to both the management of the crises and the implementation of national economic plans. In his report (A/53/398), the Secretary-General referred to the methods which had been used to manage the East Asian crisis, which had given rise to various criticisms. Consensus must be reached on the policy with regard to macroeconomic management for development, in order to integrate it within the framework of the international financial system so as to escape from the vicious circle of crises; it was essential to ensure transparency of all the participants in international financial markets, especially the currency market.

9. External debt and debt-servicing problems constituted an obstacle to development. Economic volatility accentuated their impact; integrated solutions must therefore be found to resolve those questions in a global context. Some measures, such as debt refinancing, had not produced the expected results, since the cumulative amount of debt had reached alarming proportions. The international community should take steps to alleviate that problem, and in that respect attention should be drawn to the constructive proposals appearing in General Assembly resolution 52/185, which stressed the need to find effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries.

10. **Mr. Aung** (Myanmar), said that his delegation associated itself with the statement made by Indonesia on behalf of the Group of 77 and China. Development was indispensable to the achievement and maintenance of peace and security at both the national and international levels. Development must be equitable, since inequity, in its many facets, tended to create tensions internally as well as externally, and must therefore be avoided and rectified as soon as it was discovered. Inequity and disharmony in development occurred for a variety of reasons, but the problems could be resolved if both the affected and the assisting development partners applied the necessary corrective measures in a proper and timely manner. To that end it was essential to have adequate funds when and where required, since delays could nullify the effectiveness of any measures that were undertaken.

11. In many cases, official development assistance was and would remain the most effective remedy to rectify the problems of inequity in development. Myanmar called on all those in a position to do so to maintain or, if possible, increase that assistance wherever there was a need. The persistent decline in official development assistance had been at least part of the reason why agencies involved in development activities had been compelled to look for other methods of financing. Even though many development partners were fulfilling or even exceeding their assistance obligations, some of the richest nations were deaf to the voices of the needy. Myanmar reiterated its view that official development assistance could not be replaced by any other method of financing, since it was much more comprehensive and covered a broader and more complete spectrum of development activities. Thus, although the need to continue to explore ways and means of increasing the availability of the necessary funds for development must be recognized, those new sources of financing could only be a complement to official development assistance and not a replacement for them. In that respect, Myanmar supported the proposals made by Indonesia on behalf of the Group of 77 and China on the key elements that could be included in the consideration of financing for development.

12. His delegation hoped that the development agencies would utilize any available funds, without any conditionalities. Development, which was indivisible from peace, should have neither barriers nor conditionalities, and assistance should be provided where it was needed most.

13. Myanmar welcomed the formation of the ad hoc open-ended working group and pledged to cooperate in formulating a report containing recommendations on the form, scope and agenda of the high-level international intergovernmental consideration of the topic of financing for development, as envisaged in General Assembly resolution 52/179.

14. **Mr. Mahugu** (Kenya) said that his delegation associated itself with the statement made by the representative of Indonesia on behalf of the Group of 77 and China. Although globalization and liberalization had provided opportunities for growth and development for some countries and offered prospects of economic gain and the generation of wealth, many developing countries, especially in sub-Saharan Africa, had not been able to take advantage of those processes because they lacked the capacity to compete, making them vulnerable to further marginalization. Those difficulties were further complicated by the unilateral imposition of non-economic conditionalities, such as human rights, environmental and labour standards.

15. The widening gap between developed and developing countries could, if unchecked, destabilize the global economy. Furthermore, the integration of all countries into the global trading system would facilitate the expansion of trade, investments and services and promote economic growth and development, at the international level.

16. The international community had undertaken to provide substantially increased support to developing countries in view of the severe constraints faced by them, but, unfortunately, those commitments remained largely unfulfilled. He expressed appreciation for the assistance provided by a few donors, such as Denmark, the Netherlands, Norway and Sweden, which had met and even surpassed the agreed target of 0.7 per cent of the gross national product. Despite the importance of measures aimed at mobilizing domestic resources through trade and other means, the developing countries were still largely dependent on official development assistance, both bilateral and multilateral. In that regard, Kenya supported the call for the convening of an international conference on financing for development, and for the constitution of an open-ended

working group to facilitate the preparation of the agenda of that conference, in accordance with General Assembly resolution 52/179. The working group should consider, *inter alia*, the issues of mobilization of international private and official financial flows for development, international financial cooperation for development, regulation of the international monetary and financial systems, the problem of external debt and trade and financing for development.

17. Practical measures were needed to alleviate the heavy debt burden shouldered by developing countries, and those measures should be carried out at the multilateral level without diverting development funds from other uses or increasing pressure on bilateral donors. Kenya supported the constructive proposals already made in that connection, particularly those aimed at promoting innovative and sustainable debt solutions, such as the creation of a multilateral debt facility. Kenya also joined those delegations which had raised concerns about the slow pace of the Heavily Indebted Poor Countries Debt Initiative and had drawn attention to the need to make the review eligibility criteria more flexible so as to accommodate other low income countries which shared the burden of debt.

18. A majority of the developing countries, especially those in sub-Saharan Africa, were dependent on the export of a few primary commodities whose prices were unstable. If those countries were to accelerate the transformation of their productive structures with a view to achieving effective integration in the global economy, they needed to attract substantial financial inflows, from both the official and private sectors. Unfortunately, those countries had been unable to attract meaningful investments, while official funding sources had declined. It was essential to adopt an integrated approach, in which commodity export earnings were at the core of economic development, and to put in place a mechanism to achieve and maintain price levels that were remunerative to producers and equitable to consumers by reducing excessive price fluctuations as well as assuring market access and reliability of supply.

19. Kenya had full confidence in the important role of the United Nations system in facilitating the process of the democratization of international relations and in the new global approaches to development cooperation though partnership and collective ownership.

20. **Mr. Zarie Zare** (Islamic Republic of Iran) said that his delegation associated itself with the statement made by Indonesia on behalf of the Group of 77 and China. It stressed the importance of foreign investment as one of the main sources of development financing, but also drew attention to the risks. Capital tended to flow to countries and sectors where returns were high and risks were low. Those flows took many forms including foreign direct investment, the modality preferred by host countries, or short-term portfolio investment, whose high mobility could create financial disruption in developing countries.

21. Although resource flows to developing countries had increased from $100 billion in 1990 to over $250 billion in 1996, they had been mostly composed of private capital. Since the early 1990s, all categories of official capital flows, with the possible exception of multilateral concessional flows, had declined. The majority of the developing countries had been marginalized in that process, and it was therefore necessary to ensure the distribution of those flows in all regions of the developing world.

22. Although the need to strengthen international economic cooperation based on the principles of international law and recognized norms had been reiterated in most intergovernmental fora, there was increasing recourse to unilateral coercive economic measures and the enactment of domestic laws with extraterritorial effects. Such policies and measures constituted a major barrier to freedom of finance and the access of all countries to financial resources and hampered the economic development and expansion of financial relations at all levels. All countries should refrain from recourse to such measures and abolish those that were already in place.

23. The main causes of the current crisis were high mobility and the volatility of short-term portfolio investment and deficiencies in the domestic regulations which should regulate and monitor financial inflows and limit their negative impact. Over the years, the institutional investors had become key players in the world's capital markets, always in search of higher and quicker returns and diversification of their portfolios. Various factors clearly indicated that the problems resulting from those practices would remain for a long time and that there was even a strong possibility that the problems would increase. Efforts should therefore be made to establish institutional frameworks at the international and national levels to promote supervisory and regulatory arrangements. The current crisis had demonstrated that the risk of contagion was increasing and the sources of instability must be contained. That required the active participation of all the developing countries in decision-making and standard-setting and in establishing new arrangements.

24. The convening of an international conference on the financing of development, with a broad agenda and scope, could provide inputs for such arrangements. The Islamic Republic of Iran looked forward to an early decision on the

establishment of a working group under General Assembly resolution 52/179 and the commencement of its work at the earliest possible date.

25. External indebtedness continued to be a major drain on resources for development in the developing countries. At the end of 1997, the total external debt of all the developing countries and economies in transition had increased by 4 per cent compared with 1996, and the tremendous efforts made by the developing countries to improve their performance had not been matched by international initiatives for debt reduction at the international level. The pervasiveness of the financial crisis gave rise to concerns that the debt crisis would be even further aggravated. The Heavily Indebted Poor Countries Debt Initiative was an important step in restoring economic development in poor countries, but the heavily indebted lower and middle income countries also needed new initiatives to facilitate the financing of their development. In that respect, greater flexibility was needed in the eligibility criteria for current and future initiatives.

26. **Mr. Kebede** (Ethiopia) said that he wished to associate himself with the statement made on behalf of the Group of 77 and China. Development financing, which had been the foremost issue on the North-South agenda for decades, had become marginalized in recent years and most developed countries had failed to meet the development assistance target of 0.7 per cent of their gross domestic product (GDP). In view of the phenomena of donor fatigue and aid pessimism, the international community needed to undertake an in-depth intergovernmental analysis of the levels, uses and effectiveness of development financing, from which policy conclusions should be drawn.

27. International development assistance would continue to be needed for years to come, especially in Africa and in the least developed countries, which had difficulty in raising their domestic savings rate and attracting commercial flows. It would be needed for activities, projects and programmes which, though vital for national development, were not attractive to private capital and for which sufficient domestic resources could not be mobilized.

28. In the face of that reality, the convening of an international conference to examine the various dimensions of development financing was a matter of urgency. Among other things, the conference would have to establish achievable official development assistance (ODA) targets and explore new sources of concessional financing. It was also time for the international community to promote the creation of democratically managed funds, drawing on the experience of individual countries and regional groups so that resources could be channelled to those geographic areas that had been marginalized from the global economy. At the same time, comprehensive and decisive action was needed to address the threat which an unsustainable debt burden posed to the economic security and long-term stability of developing countries, especially in Africa. A lasting solution to the African debt problem required debt relief that promoted economic reforms and enhanced the capacity of countries to attract investments.

29. Ethiopia had welcomed with great optimism the Heavily Indebted Poor Countries (HIPC) Debt Initiative, under which creditors had agreed to a comprehensive and integrated approach to debt reduction, but was disappointed by the slow pace with which the Initiative was being implemented. Indeed, two years after its launching, only one country, Uganda, had fully benefited from the relief measures provided for in the Initiative. The process needed to be accelerated, more flexible eligibility criteria adopted and adequate resources mobilized.

30. It was imperative to clear the entire debt stock of the poorest countries within a reasonably short period of time and in the context of their economic reforms. Such a measure should be accompanied by complementary actions to spur development and growth. In that regard, Ethiopia endorsed the recommendations of the Secretary-General, which highlighted a number of priority areas, including the need to increase the volume and improve the quality of development assistance, consider the possibility of converting all remaining official bilateral debt into grants, liberalize access to the HIPC Debt Initiative, ease access conditions for African exports and encourage investments in Africa, which had been largely marginalized from the process of globalization. Ethiopia believed that the implementation of the above recommendations would greatly help to integrate Africa into the world economy and bolster the efforts of African countries to promote development and economic growth in the continent.

31. **Mr. Nishigahiro** (Japan) said that the crisis that had begun the previous year in South-East Asia and had then spread to Russia and Latin America had affected most severely the developing countries and, within those countries, the most vulnerable sectors. As the Secretary-General had noted, the net transfer of resources to developing countries had turned negative for the first time since 1990.

32. In the short term, the international community must try to place the affected countries back on the path to economic recovery and social stability. Over the longer term, the challenge was how to cope with the new situation of the

world economy, in which markets were becoming increasingly interdependent and economics more vulnerable to movements of capital on an international scale.

33. At the national level, the Government of Japan had adopted a number of fiscal measures, such as the approval in June of a supplementary budget of 16 trillion yen for the fiscal year 1998, a tax reduction of 2 trillion yen and planning for a second supplementary budget totalling 10 trillion yen. Monetary (reduction of the official interest rate to 0.5 per cent) and financial (reform of the banking sector) measures had also been introduced.

34. Japan had committed itself to providing the Asian countries caught in the crisis with the largest packages of bilateral support offered by any country. While exchange rates had stabilized in those countries and the fundamentals of their economies remained strong, they still had huge medium- and long-term capital needs in order to achieve further economic growth. In response to those needs, Japan had presented a scheme for bilateral financial assistance totalling US$ 30 billion known as the "Miyazawa plan" and intended to collaborate closely with other countries and multilateral development banks to ensure that the scheme was implemented.

35. Japan was of the view that economic management and a development strategy that made the most of market mechanisms were still valid ways of dealing with the new globalized economy. Greater exposure to market mechanisms would increase the economic efficiency of developing countries and of countries with economies in transition and should therefore continue to be a major policy priority for those countries, which must maintain sound macroeconomic policies, improve regulatory and accounting systems and strengthen the supervision of financial institutions for appropriate risk control.

36. It must be said, however, that no country was fully protected from the risks inherent in the globalization of financial markets. Accordingly, there were some who argued that the Bretton Woods institutions were outdated and that there was a need for a completely new financial architecture. On the contrary, Japan was of the view that, despite the changes in the world economy, the institutions which had been established at Bretton Woods had played a vital role in containing the current crisis and that, far from scrapping them, the international community should concentrate on improving them so that they could perform the functions which they were expected to perform in the new global economy. For example, one issue that needed immediate attention was the system for monitoring the movements of capital. It was also necessary to bolster the financial base of the International Monetary Fund (IMF). To that end, Japan urged those countries that had not yet done so to complete as soon as possible the procedures for the approval of the new General Arrangements to Borrow (GAB) and the quota increase.

37. Japan recognized the need to continue to search for a durable solution to the external debt problem, which continued to plague a great number of least developed countries, many of them in the African continent, and welcomed the progress achieved by the launching of the HIPC Debt Initiative and its extension up to the end of the year 2000. In order to assist those countries, the Government of Japan had contributed $47 million to the trust funds of the World Bank and IMF and in December 1997 had announced a set of debt-relief measures, including the reduction of the moratorium interest rate, which was equivalent to up to a 90 per cent reduction in the debt of countries that were eligible for the HIPC Debt Initiative.

38. His delegation welcomed the process that had been initiated with the adoption of General Assembly resolution 52/179, which was aimed at building a global partnership for the financing of development to reduce poverty and achieve sustainable development. While it was important to mobilize more resources (official and private, domestic and foreign), it was no less important to improve the way those resources were being used to achieve the targets which the developing countries had established for themselves.

39. Some countries had recorded spectacular growth, while others had remained stagnant. It would be useful to study the efforts made by both groups of countries and to learn from their experiences so that maximum advantage could be taken of available resources, for the benefit of the greatest number of people.

40. **Mr. Dos Santos** (Mozambique) associated himself with the statement made on behalf of the Group of 77 and China.

41. Macroeconomic stability and the creation of an enabling environment for private and public sector investments were fundamental to economic growth and social development. However, despite the fact that the overwhelming majority of developing countries, including Mozambique, had implemented structural adjustment programmes, liberalized their economies and undertaken other reforms which had had serious social consequences, financial resource flows had diminished, resulting in a vicious circle of economic stagnation and financial crisis.

42. The external debt of the developing countries, particularly the least developed countries (LDCs), continued

to deprive them of the resources needed for social and economic development and for the creation of an enabling environment for sustained growth. The economic and financial crisis affecting various countries in the developing world made it clear that, as long as external debt remained at the levels indicated by the Secretary-General, development efforts would have little impact on living standards of the peoples of those nations.

43. His delegation appreciated the fact that, as had been apparent at the annual meeting of the World Bank and the International Monetary Fund held recently in Washington, D.C., there was increasing awareness of the need not only to speed up current mechanisms for addressing the debt problem but also to look into new avenues that might lead to a lasting solution. More LDCs, including those emerging from conflicts, should benefit from the Heavily Indebted Poor Countries (HIPC) initiative. His delegation supported a global solution to the debt problem, in which the developing countries' outstanding debt would be written off unconditionally or converted into grants whose resources would be used in social development programmes. In that regard, he welcomed the initiative announced by the Secretary-General at the Security Council ministerial meeting on Africa and was encouraged by the initial positive reaction to that initiative from donor and creditor countries.

44. Efforts were under way to devise sustainable development strategies which would provide basic levels of human development to all peoples, and a constructive dialogue was taking place among Governments, the private sector and civil society at large with a view to creating a partnership that entailed ownership of the development process. Participants in a conference of non-governmental organizations held recently in Maputo had concluded that the external debt crisis was a shared responsibility and not just a concern of Governments and creditors. In that connection, creditors needed to realize that their contribution must be to cancel the debt.

45. His delegation hoped that, in its deliberations, the Committee would bear in mind the need to devise development strategies that were people-centred and tailored to the needs of individual countries. Current levels of external debt made it impossible to reduce poverty and improve access to health and education services, and no stable economic fundamentals could mitigate the debt's impact. The time for action had come.

46. **Mr. Al-Hitti** (Iraq) said that the international community must study the current global economic crisis in order to find ways of limiting its impact, particularly on developing countries, which were already experiencing economic imbalances created by, *inter alia*, structural adjustment programmes and the demands of globalization. As the Secretary-General pointed out, the effects of the crisis had been felt in the financing of development and in the net transfer of resources from developed to developing countries, which had been negative in 1997. His delegation was also disappointed at the decline in both bilateral and multilateral official development assistance, which would exacerbate the economic difficulties of developing countries.

47. The Secretary-General's report on the debt situation of the developing countries (A/53/373) and various economic indicators showed that the external debt situation of those countries was no better than the situation in other areas of their economies. The report indicated that, at the end of 1997, the total external debt of all developing countries and countries in transition had been estimated at US$ 2.2 trillion, an increase of 4 per cent ($76 billion) over 1996. The most serious aspect of the debt crisis was that it complicated efforts to address the problems of the 41 heavily indebted poor countries, whose total external debt had amounted to $245 billion at the end of 1996. Their debt burden remained severe, with a debt stock to export ratio of well over 300 per cent.

48. In that bleak situation, it was encouraging to see a growing consensus that countries which undertook to pay off their debt within a specific time-frame should not be penalized. In seeking solutions, priority should be given to reducing debt stock and debt servicing and to refinancing the debt, without imposing political conditions on indebted countries. Those objectives could be achieved only through negotiations involving debtors, creditors and financial institutions, following an exhaustive analysis of the problem and of any solutions that might help to alleviate the debt burden and secure a net transfer of resources from developed to developing countries. To that end, international cooperation would have to be intensified by improving trade relations and access to markets, sharing new technologies, creating a favourable international financial and economic order and allocating increased development resources to developing countries.

49. World Bank and International Monetary Fund strategies, as well as the problem of reverse financial flows, should also be analysed, with a view to providing new financing to the developing countries on favourable terms and to establishing debt repayment periods that would allow them to promote economic, social and cultural development.

50. **Mr. Suh Dae-Won** (Republic of Korea) noted that, until the previous year, the Second Committee's deliberations on private capital flows had focused on their

uneven distribution and on ways of attracting private capital and foreign direct investment in order to finance development. The current financial crisis, caused by massive inflows of private capital and their sudden reversal, had, however, forced the Committee to view the implications of private capital flows into developing countries from a completely different perspective. No one had predicted such a devastating turn of events, and the full implications of the crisis were not yet understood. That was the case not only for development financing but also for how best to manage private capital flows in the future. Private capital must be not only attracted but also retained, and sudden reversals of capital flows must be countered to ensure that such flows were tools conducive to development, not crises.

51. A number of lessons could be drawn from the current crisis. First of all, markets and Governments, especially in developing countries, were ill-prepared to avoid the risks of financial globalization. Structural reforms in finance and in the corporate sector must therefore be oriented towards enhanced transparency and accountability, as a prerequisite for liberalization. Sound monetary and fiscal policies were also essential to reducing potential crises. Secondly, the speed of financial liberalization must be carefully reviewed, in order to avoid the risk of a premature opening of domestic markets without a sound financial system. Thirdly, the international financial system in its current form appeared to be ill-suited to preventing and containing crises and must therefore be restructured. Cooperation between the United Nations and the Bretton Woods institutions would also help to build a consensus on the shape of the future global economy.

52. His delegation welcomed the fact that the Committee was to launch an intergovernmental process to determine viable, operative strategies for the financing of development in the twenty-first century. Specific guidelines should be provided for the deliberations of the Ad Hoc Working Group to be set up in early 1999 to tackle that vast agenda. His delegation was pleased to note that the Secretary-General's report covered all the potential issues to be considered by the Ad Hoc Working Group and believed that all those elements should be considered on an equal footing. It hoped that the Working Group would focus on the issue of financial liberalization, especially, the role of private capital flows, and on institutional issues and policy measures for management of rapid liberalization. The Working Group's deliberations should also be closely coordinated with the ongoing discussions within the Bretton Woods system, in order to define the potential added value which the United Nations could offer.

53. **Mr. Fahmy** (Egypt) associated himself with the statement made on behalf of the Group of 77 and China and said that, on the threshold of the twenty-first century, globalization and the instability of the global economy posed enormous problems for developing countries, most of which did not have the resources to make the investments needed to achieve a positive rate of development and growth. It was therefore essential that those countries receive official development assistance and foreign investment flows, although net short-term transfers could also play a useful role.

54. The current global financial crisis and the reduction in foreign investment capital flows had coincided with the implementation of an economic reform policy in Egypt which included a stabilization and restructuring process aimed at attracting investment capital flows and establishing a modern financial infrastructure, as well as the development of the banking sector and the creation of a stock exchange, again with a view to attracting investment and promoting privatization. In view of developments in the international economic arena which were unrelated to Egypt's internal situation, his delegation warned that stabilization of the international economy must be given priority in order to safeguard countries' domestic achievements. It therefore associated itself with any collective efforts that might be made to reform the international financial system and avoid a recurrence of similar situations in the future.

55. His delegation was concerned at the reduction in official development assistance and at the failure to meet the target of allocating 0.7 per cent of GNP to such assistance. That situation was particularly detrimental to the least developed countries, most of which were in Africa and were experiencing socio-economic problems exacerbated by external debt and lack of resources. His delegation welcomed any effort to alleviate the debt burden of those countries and trusted that the Working Group on development financing would begin its work as soon as possible and help find a solution to the difficulties facing the developing world.

56. **Ms. Durrant** (Jamaica) said that her delegation associated itself with the statement made on behalf of the Group of 77 and China. Turning to the Secretary-General's report on the financing of development (A/53/228), she observed that the report was a reminder that there were dangers as well as opportunities in the international financial market place, such as the sudden change of direction in capital flows to the developing countries and the continuing shrinkage of official development assistance.

57. In the past year, the effects of the Asian and Russian crises had contributed to depressed commodity prices, the undermining of currency and financial markets, liquidity problems and heightened credit risk for highly indebted countries. Despite the efforts of the affected countries and the intervention of the multilateral financial institutions, the crisis had not abated and the potential consequences for those countries included a reduced rate of liberalization; the possibility that they might seriously consider defaulting on their debt; the contraction of expenditure, which inevitably meant reduced spending on social services; and the possibility of widespread social and political upheaval.

58. The Secretary-General's report on the debt situation of the developing countries (A/53/373) provided a very comprehensive analytical overview of that situation. One of its fundamental messages, with which her delegation concurred fully, was that a concerted international response was needed to the long-term debt problem of the developing countries. The persistence of that problem was an indication of the inadequacy of existing mechanisms in dealing with it and of the urgent need for their reassessment. For instance, the slow implementation of the Heavily Indebted Poor Countries (HIPC) initiative was cause for concern: in the two years since its launching, only one country had benefited from the full-fledged relief which it provided. The Secretary-General's report contained recommendations in that connection which her delegation endorsed, namely: simplify debt sustainability analysis and fully involve debtors in determining debt sustainability criteria; shorten the implementation period for eligible countries, rather than applying general prescriptions; and provide adequate funding for an expeditious resolution of all eligible cases.

59. Her delegation also agreed fully with the United Kingdom initiative "Debt 2000: the Mauritius mandate", which called for the accelerated implementation of the Heavily Indebted Poor Countries initiative and aimed to have all eligible countries embarked on the HIPC process by the year 2000. It also envisaged that, by the year 2000, there would be firm decisions on the amounts and terms of debt relief for at least three quarters of those countries.

60. Her delegation believed that, in addition to national strategies, an overall and comprehensive international strategy was needed to address the debt problem, and that two critical factors must be considered in that connection: first, the adequacy of the response of individual countries and, secondly, the response of the international community, including the multilateral development institutions. In terms of national strategies, many countries had undertaken policies aimed at strengthening fiscal performance, increasing domestic savings, strengthening financial sectors by improved regulation and monitoring and greater capital requirements, and increasing macroeconomic stability. In terms of the response of the international community, it was important to recognize the resource constraints of the Bretton Woods institutions, which needed to make better use of available resources and seek to implement policies that would foster confidence. Those institutions' technical analyses also needed to be improved and made more flexible, in order to give them a better understanding of the unique features of individual countries and the need to apply tailor-made policies to them.

61. The United Nations had a role to play both as a forum for developing countries to express their concerns and in cooperating with the Bretton Woods institutions on economic and social issues. It must remind the international community that multilateralism was not one-sided and that economic and financial crises had far-reaching social repercussions.

62. **Mr. Pashayev** (Azerbaijan) said that financing of development was important for all countries. For countries in transition, for instance, the transformation from planning to market relations had caused a substantial deterioration in socio-economic indicators and the loss of many pre-existing social gains. The recent crisis in Russia had shown the vulnerability of young market systems. The developed market economies, for their part, must monitor financial flows in order to ensure the stability of their internal markets and find new, potentially attractive markets for their products.

63. It was clear from the Secretary-General's report on the financing of development (A/53/228) that expectations in terms of future financial flows were not optimistic. His delegation believed that long-term investments undoubtedly played a major role in development. There were certain trends in long-term investment flows that were unfavourable to developing countries and countries in transition. However, private long-term financing was an objective process linked with the aims and potential of transnational corporations, which were looking not only for fast profits but also for a favourable investment climate. For economies in transition, foreign direct investment was a necessary catalyst for development, for it gave those countries access to new technologies, know-how and management experience.

64. Following the break-up of the Soviet Union, Azerbaijan's economy had suffered from serious economic imbalances. Between 1991 and 1995, real GDP had declined by around 60 per cent. Since 1995, his Government had implemented a comprehensive stabilization programme supported by international institutions. As a result, in 1997

real GDP had increased by 5.75 per cent, and in the first quarter of 1998, the annual growth rate of GDP had risen to around 9 per cent. His Government was doing its best to create a favourable investment climate and in 1997 had received over 1 billion dollars in foreign direct investment. At the same time, given the potentially negative impact of volatility in oil prices, the Government had drawn up an investment programme for 1999 designed to revive non-oil industries.

65. Short-term capital flows were equally necessary for the financing of development and were of economic interest to both countries of origin and receiving countries. However, the sudden change of direction in such flows had resulted in substantial currency devaluations and had required the sudden contraction of trade deficits. In that connection, it was clear that countries themselves must take prompt, effective measures to protect their markets and that international financial institutions, particularly the International Monetary Fund (IMF), should provide prompt support to them.

66. Because of their capacity for large investments and their ability to operate through risk-sharing and because small and medium capital flows followed them in newly emerging markets, transnational corporations were key actors in the transfer of resources and in the process of globalization.

67. The decline in official development assistance (ODA) in recent years was cause for concern, even if it was sometimes connected with objective circumstances such as the fall in the exchange rates of various donor-country currencies against the United States dollar. ODA was a necessary tool for the economic survival of low-income countries and for permitting the creation of new areas of economic activity. Cuts in the aid budgets of some countries could damage long-standing international cooperation commitments. It was therefore important to achieve the target of 0.7 per cent for ODA, especially in the current situation of financial crisis in some markets. At the same time, ways should be examined of increasing the effectiveness of aid programmes and curtailing their overheads.

68. Given the deterioration in international economic and financial conditions in the past year, IMF should take prompt and effective action and work with member countries on crisis prevention and management, as well as engage in a closer and more intensive policy dialogue with Member States in order to identify financial sector vulnerabilities that had potential macroeconomic implications. Countries, for their part, needed a healthy banking and financial system.

69. **Mr. Cabactulan** (Philippines) associated himself with the statement made by Indonesia on behalf of the Group of 77 and China. The financing of development was a much bigger concern than the establishment of a new international financial system or the strengthening of the existing one, for it touched on the core requirement of development, namely, financing and encompassed a host of interrelated issues, including the mobilization of domestic resources; development cooperation and official development assistance; and the resources generated from trade and other export services. It thus made no sense to fear that the discussion of development financing would be used as a pretext for restructuring the international financial system or would be limited to ODA, although, clearly, neither of those issues could be avoided.

70. The basic concern was to promote a partnership that engendered a mutually beneficial relationship whose underlying goal was the eradication of poverty — the basic rationale of all the international economic conferences held in the 1990s. There was also a need to ensure an interface among interrelated activities and initiatives. For instance, there were plans to convene a high-level intergovernmental meeting on the financing of development, whose scope, content and agenda would be defined by the Ad Hoc Working Group set up for that purpose. The Second Committee should look at the items that might be considered by such a meeting and at how to factor into the process such related activities as the recent meeting of finance ministers referred to by President Clinton, which had looked into ways of strengthening the existing international financial system. There was also a proposal to establish a small group within the IMF/World Bank Development Committee to work on related issues. The Ad Hoc Working Group should perhaps establish some kind of order to prevent certain activities from interfering with others.

71. The documentation prepared by the Secretariat was important and duly reflected the situation of the developing countries. It was also important to describe how the financial crisis had affected the developing countries of Asia. With regard to the debt problem, the various proposals made in paragraphs 66 and 67 of document A/53/373 were useful and must be given careful consideration. Lastly, his delegation intended to make a statement in the plenary Assembly on the causes of conflict and the promotion of durable peace and sustainable development in Africa.

The meeting rose at 4.55 p.m.

United Nations A/C.2/53/SR.11

General Assembly
Fifty-third session

Official Records

Distr.: General
26 February 1999
English
Original: Spanish

Second Committee

Summary record of the 11th meeting
Held at Headquarters, New York, on Tuesday, 13 October 1998, at 3 p.m.

Chairman: Mr. Azadi ..... (Islamic Republic of Iran)

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98-81591 (E)

The meeting was called to order at 3.05 p.m.

Agenda item 91: Macroeconomic policy questions (A/53/60, A/53/62, A/53/69 and A/53/185)

(c) Commodities (A/53/319)

1. **Mr. Rahman** (Chief, New York Office of the United Nations Conference on Trade and Development) said that, as a result of the Asian crisis, there had been a further decline in commodity prices and demand after very unfavourable trends for over a decade. The decline in actual consumption of commodities, either directly for foodstuffs, or indirectly for industrial inputs and construction materials, was one of the main consequences of the crisis.

2. The sustained development of developing countries depended to a great extent on the successful realization of the potential of the commodity sector, since commodity exports constituted a major source of foreign exchange earnings for a large number of developing countries. Financial cooperation to facilitate the capacity of the commodity-dependent countries to manage the sharp declines in commodity export earnings was needed more than ever before. Commodity producers and consumers should strengthen cooperation in the context of international commodity agreements in order to achieve greater market transparency and stability, expand demand for commodities and develop such agreements for commodities which were not already covered.

3. While the financial crisis raised serious problems, the commodity question should also be viewed in a longer term perspective. In fact, recent experience had shown that supply-side factors had emerged as key impediments to the improved participation of many developing countries in international trade. On the other hand, new international trade rules and the changing nature of commodity markets had made commodity trade a more complex and difficult endeavour.

4. A many-pronged approach was required to solve the multifaceted commodity problem. On the domestic front, efforts should be continued to help alleviate supply constraints, encourage diversification and enhance competitiveness. Cooperation between Governments and businesses could help to overcome such constraints. For example, infrastructural development projects could be included in commodity projects and the private sector could be encouraged to invest in building and operating those facilities. Information systems and communications networks could also be established to encourage efficient product movement and quicker reaction to shifting demand.

5. Improving the possibilities for using physical commodities as collateral for loans, for instance through the warehouse receipt system, could significantly strengthen export financing for commodities. However, apart from a lack of expertise about how to structure such transactions, economic policy and legal and regulatory frameworks in many developing countries had not been conducive to the enhanced use of commodities as collateral for trade finance. The international community could support developing countries' actions in that area by making up for the aforementioned shortcomings.

6. An agenda for commodity-based diversification and development would need to be based on appropriate policies and measures by commodity-dependent countries themselves, supported by a favourable international environment. Action would have to aim at obtaining improvements in the multilateral trading system that were conducive to commodity-based development, creating an enabling domestic environment for commodity-based development and assisting the enterprise sector in its pursuit to be successful in commodity-based business at the domestic, regional and global levels.

7. Commodity-dependent developing countries needed a clear understanding of the Uruguay Round obligations and commitments in order to take advantage of the options available to them in the area of diversification. In that respect, the Agreement on Subsidies and Countervailing Measures deserved particular attention. In spite of its limitations, the Uruguay Round Agreement on Agriculture had brought agriculture under comprehensive multilateral discipline for the first time. Commodity-dependent countries needed to formulate a proactive and positive agenda for future multilateral trade negotiations that included financial and technical support for expanding their supply capacity. International organizations such as the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO) could assist developing countries to take advantage of the opportunities created by the new international trading environment.

8. The international community should provide the requisite assistance for the success of actions by the Governments of the commodity-dependent countries themselves. In that connection, an open trading system and further reductions in protectionist measures, including domestic support for agriculture and tariff escalation, were of paramount importance. Financial cooperation to help commodity-dependent countries to address fluctuations in commodity export earnings should be expanded. In general, global purchasing power, investment capital, frontier technologies and aid resources remained located in, or were

mobilized from, the developed countries. Therefore, any durable transformation and diversification of the developing countries' commodity sector must by necessity involve cooperation in the area of trade, investment and related areas with the developed countries.

9. South-South cooperation also had an important role. Efforts should be made to promote enhanced complementarities among developing countries in order for them to be able to take advantage of the emerging and diversified trade opportunities. That consideration took on special significance given the expanding share of developing countries as markets for primary and processed exports from the developing world itself. South-South cooperation could also help to harmonize policies and rationalize supplies.

10. **Ms. Djatmiko-Singgih** (Indonesia), speaking on behalf of the Group of 77 and China, said that because commodities were the principal source of income of most of its members, the Group had always supported the adoption of methods to promote commodity production as a means of attracting investment and thus contributing to growth and development. It was, therefore, discouraging to note that, in addition to suffering from long-standing problems, such as declining commodity prices and worsening terms of trade, the developing countries were also having to face new problems as a result of developments in the world economy, current international economic problems and even natural phenomena, the direct and indirect effects of which had exacerbated their problems.

11. The developing countries' difficult situation was further compounded by their lack of technological capabilities, since commodities were becoming less important (particularly in view of the growing use of manufactured products), trade preferences were being eliminated and a new trend had arisen in the commodities futures markets and was threatening to destabilize the earnings of countries dependent on such goods.

12. The international community must give serious consideration to that situation. Measures must be taken at the international level to help dependent commodity-developing countries solve their immediate problems. A global environment favourable to trade in commodities must be created in order to give a new impetus to growth and development and to increase the productivity and efficiency of that sector of the economy. Diversification strategies should be formulated; it was important to promote not only the export of non-traditional commodities and increased food production for internal consumption, but also various processing and production activities and the development of the service sector. Diversification would require a considerable increase in technical and financial assistance. The Common Fund for Commodities should be reactivated and its scope expanded. The various international bodies concerned with commodities should no longer limit themselves, as in the past, to financing country-sponsored projects.

13. Another set of measures which the international community should take involved establishing mechanisms to stabilize commodity prices, further reducing protectionism, including subsidies for national agricultural products, halting the escalation of import duties and establishing instruments which would allow commodity-producing countries to set their own price structures and to manage the risks associated with commodity prices more effectively and transparently.

14. In view of the number of people working in the commodities sector of the developing and, in particular, the least developed countries, and given the worsening problems which had resulted from globalization and the current recession, strengthening the commodities sector would be a major step towards restoring stability, reducing of poverty and stimulating the world economy.

15. **Mr. Yuan Shaofu** (China) said that commodities were extremely important to developing countries and that as a result of cyclical and structural factors, national policies and protectionism, prices had remained low and markets unstable for many years. Those problems had worsened following the outbreak of the Asian crisis, which had been particularly hard on the least developed countries. The crisis had not only caused prices to drop further but had also reduced global demand for commodities. One year after its inception, the crisis continued and was worsening, and the situation was not expected to change for some time to come. He wondered whether the financial crisis would not lead to a crisis in the commodities sector.

16. The problems he had mentioned stemmed from the adverse international economic environment which had existed for many years. The lack of a price-setting mechanism had a negative impact on the production and export of commodities. Globalization and protectionism also helped weaken prices. The developed countries had maintained their tariff and non-tariff barriers, thereby reducing the competitiveness of the commodities of developing countries. Another factor in that unfavourable environment was green protectionism, ecological criteria which had harmed countries whose methods of producing and processing commodities were already threatened.

17. Solving the problem would require formulating long-term national and international policies and creating a stable

international environment in which commodities could flourish. The developed countries should provide training and technical and financial assistance to the developing countries so that the latter could expand their production capacities, develop new products in the commodities sector and, ultimately, diversify their exports. It was also important to improve market access for the developing countries' commodities. Multilateral negotiations should lead to the liberalization of the trade in commodities, including agricultural products.

18. International cooperation was necessary in order to lessen the impact of the Asian financial crisis. The United Nations Conference on Trade and Development (UNCTAD) should study the effects of international financial activities on trade, including commodity exports, and provide regulatory assistance to developing countries. The financial institutions of the developed countries, for their part, should take effective measures to stabilize the international financial environment in order to assist commodity-dependent countries during the current crisis and provide them with financing so that they could diversify production.

19. The Common Fund for Commodities had played an effective role in the study and promotion of commodities. Projects financed under the Second Account should be strengthened, and further study of the First Account would be needed before an opinion regarding the use of its funds could be given.

20. **Mr. Myint** (Myanmar) said that commodity prices accounted for the bulk of export earnings of countries that were heavily dependent on commodities, and determined, to a large extent, their capacity to finance imports. Prices affected a country's trade balance and could determine whether it had a surplus or a deficit.

21. The financial crisis in South-East Asia had caused the economies of some of Myanmar's neighbours to contract and that, in turn, had weakened demand for commodities; as the crisis spread to more of Myanmar's trading partners the situation had worsened.

22. During the past decade, Myanmar had adopted an import substitution policy and although commodities still predominated, there was also a certain degree of diversification in its economy. That had lessened the negative impact of the crisis; however, other developing and least developed countries whose economies were based on a single commodity or a small number of commodities had been devastated. The question of vulnerability must, therefore, be borne in mind in any discussion of sustainable development.

23. Since no country was able to produce everything that it needed, countries generally concentrated on the economic sectors in which they had a comparative advantage and purchased other products abroad. In such a situation, fair, uniform conditions were needed in order to prevent discriminatory effects and marginalization, particularly in the case of the least developed countries.

24. His delegation believed that, to offset the natural imbalances among countries with different production capacities, the international community should create a favourable climate for the marketing of commodities, based on a predictable multilateral trading system that would afford better market access to goods from developing countries and would establish special terms for the least developed countries. It was imperative that UNCTAD and the World Trade Organization should provide advice to the developing countries on building their capacity to negotiate on trade issues in general and commodities in particular. Moreover, security and relief measures should be taken to help the most vulnerable countries withstand economic crises such as the current one.

25. **Ms. Fahmy** (Egypt) said that she supported the statement made on behalf of the Group of 77 and China and that, although commodity exports had constituted a major source of foreign exchange earnings for some heavily indebted developing countries, the economic growth of such countries depended to a large extent on general trends in the sector. It was therefore disturbing to note the data on the deterioration in the value of primary commodities, which was not solely attributable to the crisis in the Asian countries.

26. Between 1985 and 1997, the real value of primary commodities had slipped at a rate of 0.5 per cent a year. In addition, the financial crisis in Asia had produced a decline in demand in a number of sectors, including petroleum and foodstuffs, and the reduced earnings of the affected countries could bring about changes in consumption patterns with regard to those products.

27. The UNCTAD report on commodities (A/53/319) indicated that the interdependence among trading partners in the global commodity market had translated into a real decrease in the earnings from raw materials exports of 38 developing countries, 12 of which were in Africa. Of the 30 developing countries in Africa and Asia whose commodities had experienced price declines between June 1997 and February 1998, 13 were Arab countries, one of which was Egypt. According to table 2 of the report, Egypt's commodity exports had accounted for between 10 and 50 per cent of total exports. That was a high percentage in

comparison to the other sectors that influenced the economic growth of any developing country. In addition, between June 1997 and February 1998, cotton prices had fallen by some 8 per cent.

28. Africa was the continent which had suffered most as a result of trends in commodity markets. It was the only continent whose share of commodity exports had declined steadily over the last 10 years: from 5 per cent of the world total in 1986–1987 to 4 per cent in 1989–1990 and 3 per cent in 1995. Moreover, the value of the African countries' commodity exports was somewhat lower than the total value of their commodity imports. The fact that the commodities share of African exports had risen from about 21 per cent in 1980 to about 23 per cent in 1995 indicated that most African countries, some of which were least developed countries, continued to depend on commodities at a time when world trading opportunities in that sector had declined.

29. Egypt could not fail to point out that, as stated in the UNCTAD report, the difficulties which the African countries faced in attempting to diversify their economies were related to the erosion of trade preferences (under which imports from many African countries, among others, had been admitted free of duty and had not been restricted by quotas or ceilings) as a result of the Uruguay Round negotiations.

30. The report presented strategies aimed at creating the conditions necessary for the development of commodity exports. In that connection, Egypt did not support the concept of commodity-based development, since dependence on those products could not lead to genuine development. However, it fully agreed that more training and research were needed to facilitate the use of sophisticated technology to diversify the export sector. Egypt welcomed the effort made in the report to present recommendations for improving the world commodity market, but considered that more detailed recommendations should have been included to enable developing countries to take full advantage of the multilateral trading system by showing them how to benefit from aid agreements and countervailing measures. She asked the Secretariat to provide clarification on that point before the end of the debate on the issue, as well as in its next report on the subject.

31. Egypt fully agreed with the view expressed in paragraph 62 of the report concerning the need for further trade liberalization in the developed commodity-importing countries, and asked UNCTAD to pay particular attention to the conclusion of agreements on agriculture in all its aspects. That was particularly important in view of the new series of negotiations that would take place in the initial years of the twenty-first century and in view of the need to prepare for the UNCTAD negotiations on that issue during its tenth session, which would be held in Thailand.

32. Lastly, the development financing process initiated by the United Nations should also take into account the developing countries' need for financing to diversify their commodities.

Agenda item 92: Sectoral policy questions (A/53/69)

(a) Business and development (A/53/384; E/CN.15/1997/3 and Add.1 and E/CN.15/1998/3)

(b) Industrial development cooperation (A/53/254)

33. **Mr. Sersale Di Cerisano** (Assistant Director-General for United Nations Affairs and Special Representative of the Director-General of the United Nations Industrial Development Organization (UNIDO) to the United Nations System) said that the report of UNIDO (A/53/254) reviewed the experience of developing countries and countries with economies in transition in adapting their industrial development policies and strategies to the challenges posed by economic globalization. The report consisted of four parts, and concluded with a discussion of the contribution of UNIDO to industrial development cooperation in the context of the programme of revitalization and change it had undertaken in 1998.

34. The report posed a basic question: whether it was possible to draw lessons from the experience of countries that had achieved a relatively high level of industrialization. The report answered that question in the affirmative, since, over the years, success in that area had been associated with sound macroeconomic policies, market-friendly and outward-oriented economic policies, high savings and investment rates, effective governance, an educated and skilled workforce, a well-developed physical infrastructure, development of entrepreneurship and technological advancement. Moreover, there was an emerging international consensus on elements such as enhancing the effectiveness of industrial decision-making and of related regulatory and incentive systems, promoting industrial competitiveness, building capacity for benchmarking policy effectiveness, promoting demand strategies for small and medium-sized enterprises, establishing quality systems at the national level, eliminating restrictions on industrial growth, taking steps to combat the marginalization of the least developed countries, introducing market-based incentives to promote ecological efficiency and promoting regional integration through interaction with the private sector.

35. One might also wonder whether the lessons that had been learned with regard to industrial policy and strategy

could be applied to all countries striving for industrial development. The answer could be both yes or no. Yes, because the lessons had been drawn from the common experience of countries that had reached a relatively high level of industrialization. However, the answer could also be no, since conditions differed from one country to another and circumstances — both internal and external — were constantly changing. As the recent experience of the countries of South-East Asia had shown, external influences had become one of the key determinants of a country's industrial development. In the case of those countries, the results of decades of rapid industrial development had been practically wiped out, owing to the volatility of capital markets and international financial trends.

36. The lessons learned about industrial development during earlier periods remained valid, therefore, but in the current context of globalization of the economy they could not of themselves lead to industrial development. Not only should internal measures be adopted, but concerted and coordinated efforts should be made at the international level to achieve stability in international capital markets in both the short and long terms. Thus multilateral development cooperation was more important than ever to support the industrial progress of the developing countries, particularly in Africa, the least developed countries and the countries with economies in transition.

37. In line with the reform of the United Nations, and within the framework of internal changes, UNIDO had redirected the main focus of its programmes to the promotion of sustainable industrial development with the aim of strengthening industrial competitiveness, increasing employment and protecting the environment in developing countries and countries with economies in transition. It also offered a package of specialized services with the objective of providing developing countries, particularly in Africa, least developed countries and countries with economies in transition with integrated support adapted to their industrialization. In that context it would continue to gather and analyse information and experiences on the best practices and the lessons learned about industrial development, with a view to achieving the objective of strengthening the spirit of international cooperation that was essential for industrial development in the current context of the globalization of the economy.

38. **Mr. Horn** (Deputy Director of the Division for Public Economics and Public Administration) introduced the reports of the Secretary-General on the promotion and maintenance of the rule of law: action against corruption and bribery (E/CN.15/1998/3) and the promotion and maintenance of the rule of law and good governance; action against corruption (E/CN.15/1997/3), which had been prepared pursuant to General Assembly resolutions 51/191 and 52/87, respectively. The Department of Economic and Social Affairs had strengthened its work programme in that sphere. Its recent activities included participation in the National Committee Conference on Combating of Corruption and Promotion of Ethics, held in Windhoek, Namibia, form 7 to 9 October 1998 and organization of a regional conference on the theme "Public service in transition — enhancing its role, professionalism and ethical standards", held in Thessaloniki, Greece, from 17 to 20 November 1997; it would also actively participate in the Second Pan-African Conference of Ministers of the Civil Service, which would be held in Rabat, Morocco, from 13 to 15 December 1998.

39. The Department undertook conceptual and analytical work and provided policy advice and technical assistance in support of measures to implement the United Nations Declaration against Corruption and Bribery in International Commercial Transactions, contained in General Assembly resolution 51/191. That work would be further pursued in close cooperation with other bodies of the United Nations system, with the main purpose of ensuring the implementation of the various legal instruments drawn up by the United Nations, the Organisation for Economic Cooperation and Development, the Organization of American States and other bodies.

40. **Ms. Djatmiko-Singgih** (Indonesia), speaking on behalf of the Group of 77 and China, expressed her appreciation for the document containing the report of the Director-General of UNIDO (A/53/254). The delay in publication, however, which had not allowed sufficient time to prepare for the debate, was disappointing.

41. The Group of 77 and China attached great importance to industrial development cooperation, given the urgent need to promote industrialization as a dynamic means of speeding economic and social development and helping eliminate poverty and create productive jobs in the developing countries, which faced formidable challenges in the context of increasing globalization.

42. The ever-widening gap between the industrialized countries and the developing countries in the area of industrialization and technology was a matter of deep concern. It made it more difficult for developing countries to make use of their traditional comparative advantages, such as cheap labour and abundant natural resources, since industrial and technological capacity with a solid infrastructural base, adequate human resources and business

development were increasingly determinants of economic growth and sustainable development.

43. The Group of 77 and China recognized that the generally poor economic performance, especially industrial performance, of most of the developing countries was due to a lack of such capacities. The continuing Asian crisis, which was taking place in countries considered to have dynamic economies based on sound fundamental macroeconomic variables, had clearly shown that macroeconomic stability could not by itself ensure the level of stability that a sustained development-oriented industrial strategy required. Moreover, macroeconomic instability could also undermine the conditions required for the recovery of industrial growth in the short and medium terms.

44. The Group of 77 and China were aware of the important role of UNIDO in the implementation of programmes and activities to promote the industrial development of the developing countries and considered that the role of that body should continue to be strengthened in order to enable it to reach its full potential and fulfil its mandate in the development field. That would, in particular, help promote sustainable industrial development and the transfer of environmentally sound technologies conducive to sustainable development, which was of great importance for the developing countries in the context of globalization, which required the formulation of stricter rules and standards to encourage competitiveness. UNIDO should be able to ensure that industrial development strategies were in keeping with the development needs of the developing countries, while bearing in mind that there was no common formula for achieving positive results in the industrial field, since each country required a combination of strategies adapted to its own situation and policies of a more general nature. UNIDO, with its capacity to carry out objective and independent studies of the global, regional, national and sectoral issues that affected industrial development, could provide the developing countries with valuable sources of information and advice in that area.

45. He commended the reforms that had been successfully carried out in UNIDO in support of the developing countries' efforts to establish and modernize their manufacturing industries. The same could be said of the decentralization of UNIDO activities in order to provide more effective integrated services at the country level.

46. The process of revitalizing UNIDO had focused on the promotion of sustainable industrial development by strengthening industrial competitiveness, increasing employment and protecting the environment. UNIDO, which helped provide a policy forum, supported institutional capacity-building and promoted other forms of technical cooperation and assistance in the field of industrialization, could help promote the conceptualization and implementation of activities to foster sustainable development. In order to achieve that objective, it would have to help reduce industrial and technological disparities, create productive employment to generate higher-paying and more prestigious jobs, and strengthen the industrial capacity of the developing countries, including greater technological and institutional capacity in the field of human resources, since industrialization was not only a powerful motor of growth but also an important catalyst for increasing technical know-how and national capacity.

47. **Mr. Glanzer** (Austria), speaking on behalf of the European Union, the Central and Eastern European countries associated with the European Union, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia and the associated country Cyprus, stressed the importance of fighting bribery and corruption, which were undermining the legitimacy of States, had enormous social and economic costs, and whose victims were usually the poor. Corruption had many roots and could not be tackled effectively in isolation from the underlying economic, political and institutional problems that it stemmed from. Since the causes of corruption were mainly domestic, the problem had to be addressed first and foremost at the national level, in particular by reducing discretionary powers and enhancing the accountability of the public sector. However, the problem also had a significant international dimension, since bribery in international commercial transactions formed an important part of the problem.

48. The European Union had taken strong action to combat corruption, particularly in the public sector. A convention had been concluded that required all States members of the European Union to criminalize corruption involving officials of the European Communities and national officials. A legal instrument on private sector corruption was currently being drafted, and the European Commission was also taking measures on a range of matters relating to corruption, particularly in the context of damage to the Communities' financial interests. The States members of the European Union and the European Commission had also been participating actively in the drafting of an important convention negotiated in the Organisation for Economic Cooperation and Development (OECD), which had been opened for signature in December 1997. The European Union was determined to ratify the convention as soon as possible and urged the signatories that were not members of the European Union to do the same. The convention required

parties to criminalize the bribery of foreign public officials in international business transactions. The European Union was also committed to the programme of work under way in the Council of Europe, where a criminal law convention on corruption was expected to be finalized by the end of 1998.

49. The European Union believed that the United Nations, and the Commission on Crime Prevention and Criminal Justice in particular, had an important role to play in forging an international consensus, *inter alia*, by elaborating relevant standards and norms and strengthening international cooperation to combat corruption. In that regard, the European Union welcomed the work carried out by the Centre for International Crime Prevention and by UNDP in providing technical assistance to strengthen accountability in governance, of public affairs, improving financial management systems and formulating anti-corruption legislation. It also welcomed the growing attention that international organizations were giving to the issue of corruption by supporting national efforts in that area and giving priority to the fight against corruption when providing assistance to their member States. The institutions concerned, particularly the relevant entities of the United Nations system, the Bretton Woods institutions and the various regional bodies, should work together closely to make the best possible use of resources and ensure that their activities had a more significant impact. In that context, it was important they should cooperate closely with the bilateral donors.

50. With regard to cooperation and the formulation of industrial development policy, it should be pointed out that major changes had occurred since the mid-1980s. Based on past experience and the changes brought about by the rapid globalization of the economy, there had been a growing convergence of policies that encouraged investment in human resources and government responsibility in creating a dynamic domestic framework in which the private sector could play its role as the driving force of industrial development. A sustainable industrial policy was a crucial component of development strategies, which included a number of key objectives: open competitive economies, progressive trade liberalization, secure and productive employment, social development and environmental protection. The report of the Director-General of UNIDO (A/53/254) contained encouraging examples of how the manufacturing sector was contributing to growth not only in most of the least developed countries in Asia but also in various least developed countries in Africa, such as Uganda and Guinea, through the development of small and medium-sized enterprises. The analysis also highlighted the importance of South-South cooperation among companies and the positive effects of regional integration. Development assistance had also played an important role, particularly in some of Africa's least developed countries. He underscored the importance of various microfinance instruments adopted to empower the poor, especially women, to establish small-scale businesses and handicraft-production units. In addition to initiatives taken at the national level by its member States, the European Union had a number of instruments that supported industrialization and private entrepreneurship in developing countries.

51. The UNIDO report highlighted the sustained reform efforts being taken by the Central and Eastern European countries that wished to become members of the European Union. The European Union supported those national efforts through financial and technical assistance from its PHARE programmes. In each country that wished to join the European Union, the priorities that must be addressed were defined; those priorities included the promotion of enterprise development, including small and medium-sized companies, and the restructuring of several industrial sectors, such as coal and steel, in order to enable companies in the region to compete in the European Union's Single Market. The European Union also funded programmes to support reforms in the enterprise sector in a number of countries in transition.

52. He drew attention to the constructive role played by UNIDO, following its reforms, in promoting sustainable industrial development. The European Union welcomed the fact that UNIDO focused on strengthening industrial capacities and on cleaner and sustainable industrial development, both of which took account of real development needs and the organization's comparative advantages. UNIDO placed special emphasis on support programmes for African countries, in accordance with General Assembly resolution 52/208, and was doing valuable work in other regions, particularly in the countries with economies in transition. The agreement between UNIDO and UNCTAD was a good example of cooperation aimed at reducing the duplication of work in the United Nations system and contributing to a wider process of reform. He urged both organizations to work for the effective implementation of the agreement and to ensure that liaison officers in each organization were selected carefully and given the necessary resources.

53. The European Union welcomed the progress made in the ongoing reform process and the improvement in the organization's financial situation, even if it was still not fully satisfactory. It was essential for every State member of UNIDO to pay any outstanding arrears and their assessed contributions promptly, in full and without conditions.

Lastly, he urged those States members of UNIDO that were in a position to do so to make voluntary contributions to the Industrial Development Fund.

54. **Mr. Winnick** (United States of America) applauded the efforts of the international community and the United Nations in addressing the issues of corruption and bribery which had long plagued all societies.

55. Efforts to mobilize international cooperation against corruption and bribery in commercial transactions went back to at least 1975, when the General Assembly had adopted resolution 3514 (XXX); that resolution had condemned all corrupt practices, including bribery, reaffirmed the right of any State to take appropriate legal action against corrupt practices and called on all Governments to cooperate in the fight against corruption and bribery. More recently, the mushrooming of international trade and investment had returned the issue to centre stage. Key developments in the fight against corruption and bribery included the adoption in 1996 by the General Assembly of two documents: the International Code of Conduct for Public Officials, which clearly defined conflicts of interest for public officials and prohibited the acceptance of gifts and favours, and the United Nations Declaration against Corruption and Bribery in International Commercial Transactions, which committed Member States to criminalizing the bribing of public officials.

56. While the fight against corruption and bribery had been waged in many theatres, two regional initiatives stood out: the adoption by the Organization of American States in 1996 of the Inter-American Convention against Corruption and the signing in December 1997 by 33 States members of the Organisation for Economic Cooperation and Development of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, in December 1997. Each of those international and regional agreements strengthened the legal and political structure underlying the laws enacted by individual States to combat corruption and bribery.

57. The Vienna-based Commission on Crime Prevention and Criminal Justice had been closely involved in efforts by the United Nations to further the progress of anti-corruption and anti-bribery initiatives and had produced clear, concise reports on the issue of corruption at its 1997 and 1998 annual sessions. In 1997 the Commission had forwarded to the General Assembly a proposal, subsequently adopted as Assembly resolution 52/87, entitled "International cooperation against corruption and bribery in international commercial transactions", as a means of implementing the Declaration.

58. The United Nations had continued to provide technical assistance through projects to strengthen institutional capacities and mechanisms, advisory services in elaborating anti-corruption legislation and the training of judges, prosecutors and law enforcement officials. Additionally, the Crime Prevention and Criminal Justice Division had worked with the United Nations International Drug Control Programme on model legislation against corruption. The Division also cooperated closely with UNDP and other bodies of the United Nations system.

59. The agenda of the Tenth United Nations Congress on the Prevention of Crime and the Treatment of Offenders, to be held in 2000, included an item promoting the rule of law and strengthening the criminal justice system. The Congress would also host a related workshop on combating corruption.

60. The 1998 report of the Commission on Crime Prevention and Criminal Justice demonstrated that regional initiatives were able to influence national legislation and motivate nations to amend their legislation to reflect recent developments relating to corruption, such as bank secrecy, mutual assistance legislation, accounting standards and practices and the tax deductibility of illicit payments.

61. Efforts to combat such practices included the holding in Dakar of an African Regional Ministerial Workshop on Action against Organized Crime and Corruption in the summer of 1997 and the Asian Regional Ministerial Meeting on Transnational Crime, held in Manila in 1998, where the prevention and control of bribery and corruption had been discussed. In addition, the International Centre for Crime Prevention was revising its 1993 manual on practical measures against corruption, as well as continuing its assessment missions, seminars and training efforts.

62. At the national, regional and international levels, activity in the area of corruption was reaching the necessary critical mass to move forward, and the United Nations was clearly exerting leadership. It was to be hoped that the momentum would yield additional positive results, progressing incrementally towards a culture of legality, accountability and transparency.

63. **Mr. Kolby** (Norway) said that it was important that developing countries should promote the development of a dynamic private sector, a prerequisite for economic and social development, and that their efforts should be able to rely on assistance from donor countries. Norway had helped various developing countries build the capacity of their productive sectors, through its bilateral assistance programme and through the United Nations system, the Bretton Woods institutions and the World Trade Organization. In view, however, of the fact that economic

reforms and liberalization of the world economy had radically altered the overall conditions of trade and industry in most of the participating countries, Norway had recognized the need to develop a wider and more consistent strategy to promote the private sector by supporting activities that stimulated production, government efforts to establish satisfactorily functioning market economies and the creation of favourable conditions for economic development. Norway's policy instruments were under review, bearing in mind its new policy objectives.

64. His Government attached great importance to the provision of assistance by the United Nations and multilateral institutions in the area of trade and development, aimed at facilitating the growth of the private sector in developing countries. His Government was willing to increase that support so that developing countries could take advantage of the opportunities which global trade liberalization offered them. Norwegian policy in that area would emphasize a dialogue with the receiving countries on the development of the private sector and ways in which such support could be better integrated into existing planning instruments. Moreover, his delegation attached special importance to close coordination among donors with regard to the assistance provided to developing countries for the development of the private sector. There was also a need for greater cooperation among the various organizations concerned with trade and development.

65. **Monsignor Reinert** (Observer for the Holy See) said that the Holy See had always been opposed to the indiscriminate use of coercive economic sanctions against a nation when such sanctions affected the basic human development of its population, and Pope John Paul II had spoken out against them many times. The position of the Holy See had been clearly reaffirmed in 1997 at the time of the consideration of the report of the Secretary-General entitled "Economic measures as a means of political and economic coercion against developing countries" (A/52/459). While it must be recognized that there were legitimate reasons which might prompt the international community to resort to the use of sanctions, subjugation through hunger could not be a means of war or the outcome of a legal decision. Sanctions must be a temporary means of exerting pressure on those responsible for decisions which threatened world peace. Sanctions must be proportional to the objectives pursued and must always be accompanied by a dialogue between the parties.

66. During his pastoral visit to Cuba in early 1998, the Holy Father had referred to the suffering caused by economic sanctions, which were always regrettable because they injured the neediest. The delegation of the Holy See understood that there had been times when economic sanctions had been used as a last resort to achieve the desired results, but it believed that such coercive economic measures should never be applied indiscriminately. Any means which caused suffering and injury to innocent people and deprived them of help led to social breakdown and increased the oppression of those who frequently had no influence whatsoever on the policies of their governments. The Holy See called on the United Nations to carefully consider the impact of economic sanctions, with a view to finding appropriate and effective mechanisms within the Organization to mitigate the negative impact of sanctions on innocent and vulnerable citizens, and to ensure that the items most essential to their well-being were exempt from the sanctions regime.

67. **Mr. Isakov** (Russian Federation) said that his delegation attached great importance to small- and medium-sized enterprises, in particular, since without them it was difficult to ensure economic and social stability. The consistent policy followed in that area was bearing fruit: by the end of 1997, small- and medium-sized enterprises in Russia had already employed 12 million people, or 10 per cent of the workforce. Unfortunately, the Russian financial crisis had dealt a heavy blow to enterprises of that type, and 30 per cent of them had declared bankruptcy or gone out of business. The new Government was taking urgent steps to deal with that situation, for example, by establishing a favourable tax system. It also hoped to continue taking advantage of the expert and technical support which Russian enterprises received from international organizations both within the United Nations system (including the United Nations Development Programme (UNDP) and UNIDO) and outside the system (such as the European Bank for Reconstruction and Development, the European Union and the World Bank).

68. Measures to combat corruption, bribery and unfair competition at all levels were an important aspect of the development of business activity. Corruption was one of the most serious obstacles to attracting private investment to the national economy, and combating it had become one of the Government's priorities. An anti-corruption programme had been established within the Russian Federation, and a legislative act entitled "Fighting corruption", which required all public officials to provide information on their income, assets, securities and bank deposits, including those held abroad, was in the final stages of preparation. Positive results were already being obtained, and the corruption of some senior officials had been exposed.

69. The Russian Federation, a country with an economy in transition, lacking sufficient experience in combating

economic crime under market conditions, was extremely interested in international cooperation in that area; it hoped to receive advisory services and technical support from the United Nations system and other international organizations, as well as other types of support, particularly for the improvement of legal and institutional mechanisms in the area of preventing and fighting corruption and training public officials. His Government noted with satisfaction the attention being paid to the issue at the United Nations and would support the efforts of the Organization and the international community to develop international rules against corruption, including in international commercial transactions.

70. Within the United Nations system, UNIDO was the lead organization for activities relating to the modernization of the industrial sector on the basis of sustainable development. The reform process being carried out within UNIDO had enabled it to confront successfully the moral, financial, psychological and political crisis with which it was faced, and the new Director-General had done a very commendable job. The experience of the reform of UNIDO should serve as an example for the reform of the United Nations system as a whole.

71. The report of the Director-General of UNIDO (A/53/254) included a highly justified critique of the so-called "gradual approach" to economic and industrial development, which posited a "first stage" of macroeconomic reforms, followed by a "second stage" of socio-economic, institutional and legal reforms. Experience showed that it was necessary to change that approach and to adopt a global perspective from the very beginning of the process.

72. Despite the gloomy forecasts for the world economy in the short term, there could be no doubt that industrial and technological integration, and national and international cooperation in that area between States and private sectors, would continue to increase; one of the objectives of UNIDO should be to promote that trend. The introduction of new technologies, particularly environmentally sound technologies, could become a driving force for pulling the world economy out of crisis.

73. In his delegation's view, the following UNIDO activities should be strengthened: (a) attracting foreign investment in the industrial and technological sectors; (b) developing international environmental protection standards for industry; (c) enhancing the role of small and medium-sized enterprises in science and technology and in industry; (d) establishing regional industrial development and ecological production centres; and (e) promoting certification and standardization in industry.

74. His delegation would be interested in promoting international cooperation with a view to marketing the findings of scientific and technological research, in particular, those of Russian research centres, which had considerable scientific potential. UNIDO assistance in that regard would benefit the entire international community. Coordination between UNIDO and the Commission on Sustainable Development and UNCTAD must also be strengthened.

75. **Mr. Onishchenko** (Ukraine) said that the business and private sectors were the key players in the social and economic development of each country. The private sector, supported by sound State policy, helped to utilize the opportunities created by economic liberalization and globalization. Obviously, however, development of the private sector was impossible without support at the public level, which should include, *inter alia*, demonopolization, the introduction of tax incentives, a sound legal environment and the promotion of domestic and foreign investment.

76. The political and economic transformation process in Ukraine had an impact on the public perception of the Government's role in industrial activities, the stimulation of market forces and the interrelationship among the Government, entrepreneurs and investors. The successful restructuring of the Ukrainian economy would depend largely on the creation of a political and economic environment that would facilitate the establishment of a strong small and medium-sized business sector. Like many other countries with economies in transition, Ukraine acknowledged the importance of such enterprises to industrial restructuring, since they could become centres for innovative development and for the introduction of new technologies in the majority of industry-related businesses. In that regard, Ukraine had pinned great hopes on the small entrepreneurship development programme approved by its Government, and on the relevant regional programmes.

77. One of the major problems of private enterprise in developing countries and countries with economies in transition was obtaining investments, loans, modern technologies and adequate and non-discriminatory access to international markets for goods and services. The support of the regional and international financial institutions and the technical assistance provided by United Nations agencies were therefore vital. His delegation wished to commend the work of the international organizations of the United Nations system in those areas, particularly UNDP, UNCTAD and the Economic Commission for Europe (ECE). His delegation

welcomed the elaboration, under the aegis of ECE, of the enterprise development programme that envisaged, in particular, the formulation of recommendations and guiding principles for the development of small and medium-sized enterprises in the region.

78. Although significant progress had been achieved since the adoption of the United Nations Declaration against Corruption and Bribery in International Commercial Transactions, it was necessary to adopt further measures that took into account the information provided by Governments and the outcome of the sixth and seventh sessions of the Commission on Crime Prevention and Criminal Justice. The issue of corruption could also be considered at a joint meeting of the Second and Third Committees of the General Assembly, which would set a good example in the context of the revitalization of the work of the United Nations in the economic and social sectors.

79. His delegation welcomed the progress achieved by UNIDO in its genuine restructuring process. While no substantial increase in the delivery of services could be expected, owing to budget cuts and staff reductions, his delegation was confident that UNIDO would contribute to the industrialization of the developing countries and the countries with economies in transition. It hoped to see fruitful cooperation between UNIDO and the countries with economies in transition, which would be of paramount importance for restoring not only the industrial potential of those countries but also their ability to provide technical assistance to developing countries; although many economies in transition were currently facing difficulties, they might become donors in the future.

80. The UNIDO reform process should be seen as part of the overall reform of the United Nations system. In that context, his delegation welcomed the partnership recently established between UNIDO and UNCTAD and looked forward to the establishment of similar ties with other United Nations institutions or organizations representing civil society. The entities of the United Nations system must work together for the benefit of recipient countries, including the development of joint programming mechanisms such as the United Nations Development Assistance Framework.

81. **Mr. Sin Song Chol** (Democratic People's Republic of Korea) expressed his delegation's support for the statement made by the representative of Indonesia on behalf of the Group of 77 and China. Industrialization was an essential factor in promoting the economic growth and sustainable development of the developing countries.

82. In recent years, successful efforts had been made towards attaining the goals set forth in the Declaration on International Economic Cooperation and the International Development Strategy for the Fourth United Nations Development Decade and those of industrial development. Increasingly, however, many developing countries were marginalized from international industrial development owing to, *inter alia*, declining official development assistance and the progressive weakening of the role of UNIDO, basically because of the unpredictability of certain donors' contributions to its regular budget.

83. In order to ensure the industrialization of the developing countries, the developed countries and the international financial institutions must implement loan policies aimed at helping those countries to build their own industries using their own natural resources. That would require, *inter alia*, development-oriented assistance with input from modern science and technology and the training of scientists and technicians.

84. UNIDO should focus its activities on increasing assistance, accelerating the industrial modernization of the developing countries and promoting South-South cooperation in close cooperation and consultation with both international organizations of the United Nations system and donor countries. His delegation was confident that the United Nations would continue to coordinate bilateral and multilateral efforts to ensure the sustainable industrial development of the developing countries and that UNIDO, by renewing its cooperation policies, would continue to contribute to the industrialization of the developing countries.

The meeting rose at 5.05 p.m.

United Nations A/C.2/53/SR.12

General Assembly
Fifty-third session

Official Records

Distr.: General
23 February 1999
English
Original: Spanish

Second Committee

Summary record of the 12th meeting
Held at Headquarters, New York, on Wednesday , 14 October 1998, at 3 p.m.

Chairman: Mr. Asadi ..... (Islamic Republic of Iran)

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Panel discussion on "United Nations Development Assistance Framework"

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98-81621 (E)

The meeting was called to order at 3.05 p.m.

Agenda item 95: Operational activities for development (A/53/85, A/53/154, A/53/186, A/53/226 and Add.1–4 and A/53/363)

1. **Mr. Desai** (Under-Secretary-General for Economic and Social Affairs), introducing the report of the Secretary-General on the triennial comprehensive policy review of operational activities for development of the United Nations system (A/53/226 and Add.1–4), said that an important and relatively new element had been added to the review process: evaluations of the impact of operational activities. There were three aspects of those evaluations: the first, which had received the most attention in previous years, concerned decisions on matters such as national implementation, the programme approach, common premises and the harmonization of programming cycles; the second involved an evaluation of the programmes of the various organizations by their own executive boards, and the third was the above-mentioned impact evaluation, which included the activities of the various programmes and had focused on an aspect common to all of them, capacity-building.

2. In recent years, the primary characteristic of operational activities for development had been intersectoral integration, through which activities carried out in different areas were part of an integrated whole whose element were mutually supportive. For example, environmental issues were linked to those related to poverty, which were linked to the interests of groups such as children or women; they, in turn, were increasingly closely related to the issue of human rights. That explained why integration was so important; it was necessary both at the country level and at Headquarters and involved links between the various areas covered by programmes. For example, at the country level, the thematic groups which had been established were essentially basic coordination groups. At Headquarters, the Consultative Committee on Programme and Operational Questions (CCPOQ) had been established in order to ensure that coordination was adequately integrated.

3. One important issue highlighted by the recent crisis in the financial markets and the resulting serious macroeconomic problems was the fact that an excessive focus on long-term development could be counter-productive unless it was reflected in short-term policy decisions. Recognition of that fact should lead to some type of dialogue between the United Nations and, in particular, the Bretton Woods institutions.

4. Another important factor which must be reflected in policies concerning operational activities for development was the relationship between the normative and operational aspects of the work of the United Nations. The funds and programmes and the specialized agencies focused their basic capacities on the implementation of decisions which had been taken jointly at the major United Nations conferences and were of great interest to Member States. The desire to ensure that those jointly-agreed objectives were achieved at the level of individual countries must be balanced with the requirement that activities carried out at the country level should reflect the specific characteristics of the country and be based on their needs. The United Nations could not consider all national priorities in every case; the Organization had certain sets of capacities which corresponded increasingly to the priorities established at the major conferences of the current decade, and everything possible had been done to ensure that those capacities corresponded to national priorities through the use of country-level programming mechanisms such as the recently established United Nations Development Assistance Framework (UNDAF) in order to provide a solid basis for coordination.

5. Lastly, it was important to note that everything that had been done to improve the coordination and consistency of United Nations activities would be useless unless the necessary resources were made available for operations. The executive boards had accomplished a great deal in the area of funding strategies, but much remained to be done in order to ensure predictable, assured funding of activities within the United Nations mandate and of efforts to achieve the ambitious goals set at United Nations conferences and to meet the needs of developing countries. The acquisition of resources for operational activities and modalities for the utilization thereof required continual efforts by intergovernmental bodies.

6. **Ms. Bellamy** (Executive Director, of the United Nations Children's Fund), introducing the report of the Secretary-General on progress on the implementation of the World Declaration and Plan of Action from the World Summit for Children (A/53/186), said that, at that historic Summit, 181 countries had committed themselves to protecting the lives and interests of children and promoting the full development of their potential.

7. The World Summit had been the single most important international initiative in support of the implementation of the Convention on the Rights of the Child, an instrument which had achieved almost universal adherence, having been ratified by 191 countries, which had thereby acknowledged

their obligation to uphold the right of children to protection, full development and participation.

8. The eight years since the World Summit for Children and the entry into force of the Convention had seen more progress on behalf of children than any other period. The report of the Secretary-General included statistics on the remarkable achievements in the reduction of child mortality, immunization, programmes to combat respiratory infections and reduce crippling iodine deficiency disorders, improvements in breast-feeding and early childhood care, access to safe water, the reduction of vitamin A deficiency and the narrowing of gender gaps in education. Those were remarkable achievements which would have been impossible without a partnership between Governments, donors, international institutions and broad sectors of civil society, as evidenced by the reports submitted by States Parties to the Convention and reviewed by the Committee on the Rights of the Child.

9. Yet, in many ways, the work had hardly begun since progress had been uneven across countries and regions: every year, an estimated 12 million children under the age of five died of preventable causes; some 130 million children, 60 per cent of them girls, did not attend school; an estimated 160 million children were dangerously malnourished; 1.4 billion people had no access to safe water; and 2.7 billion people lacked adequate sanitation. There were some 250 million child labourers, and millions of children were fighting as soldiers in wars.

10. The prospects of solving those problems were diminished by the deepening of poverty, accelerated by the spread of the current global economic crisis, the shameful decline in official development assistance (ODA), the growing number of humanitarian crises involving children, and the explosion of the HIV/AIDS pandemic, the devastating effects of which threatened to undermine the hard-won gains on behalf of children. Although the AIDS mortality rate had declined in affluent countries as a result of new drug therapies, the disease continued to cut a swath through vast areas of sub-Saharan Africa and East and South Asia, where people had no access to the new therapies.

11. The solutions to those grim realities were known and their estimated cost, which was less than 1 per cent of global output, was well within the means of the international community. The end-of-decade goals established by the World Summit for Children could not be achieved without a solemn recommitment by Governments to the goals, together with sustained efforts to build national capacity, reform of national laws to take account of the rights of women and children and institutional arrangements for strengthening the implementation of those rights. In all of those undertakings, the support of the international community was essential.

12. The process of accelerating progress towards the achievement of the Summit's end-of-decade goals must begin with a review of progress at the national level between now and the year 2000. Serious consideration must also be given in that context to the Secretary-General's initiative to promote the coordinated follow-up to the major United Nations Conferences and Summits. The special session of the General Assembly in 2001 to review the achievement of the goals of the World Summit for Children offered a unique opportunity to mobilize the broadest possible movement for children's rights and to identify updated goals for the first decades of the new century. The time had come to make good on the commitments undertaken and to guarantee the right of every child to a full and healthy life.

13. **Mr. Ohiorhenuan** (United Nations Development Programme (UNDP)), introducing the report of the Secretary-General on strengthening the integration of economic and technical cooperation among developing countries (TCDC and ECDC) in the operational activities of the United Nations system (A/53/226/Add.4), said that, in elaborating the report, the Secretary-General had taken account of the results of the consultations held with the States Members and various organizations of the United Nations system.

14. He highlighted the five parts of the report, drawing particular attention to the conclusion that, despite the efforts made by various organizations and agencies, economic and technical cooperation among developing countries had not been optimally integrated in the operational activities of the United Nations system. That was so for a variety of reasons, including the persistence of attitudinal barriers against that form of cooperation, a lack of awareness of the potential of those modalities of cooperation and the inadequacy of the resources allocated for such cooperation.

15. The specific recommendations made to the organizations and agencies of the United Nations system with a view to strengthening the integration of economic and technical cooperation activities in the operational activities of the United Nations system included the following: seek to mainstream and institutionalize TCDC and ECDC by integrating those modalities in their organizational policy, operations manuals and directives and in their programming arrangements; seek to identify suitable opportunities to promote joint cooperation arrangements to which United Nations organizations and agencies could bring their various sectoral competencies in support of multisectoral initiatives;

seek to implement Economic and Social Council resolution 1992/41 to ensure that TCDC and ECDC were given "first consideration" in the design, formulation, implementation and evaluation of their operational activities; integrate TCDC and ECDC in programme and coordination frameworks, such as the country strategy note, the United Nations Development Assistance Framework (UNDAF), the UNDP country cooperation framework and other instruments and mechanisms employed by the United Nations organizations and agencies in carrying out their programmes; establish closer contact with organizations in the developing world; seek to foster the increased involvement of the private sector in the developing countries in TCDC and ECDC activities; and apply in a consistent manner the revised guidelines for technical cooperation among developing countries prepared by the Special Unit for Technical Cooperation among Developing Countries (SU/TCDC) within UNDP, on the basis of consultations with the various organizations and agencies, subject to any observations or amendments made by the General Assembly.

16. **Ms. Heyzer** (Executive Director of the United Nations Development Fund for Women (UNIFEM)), introducing the report of the Secretary-General on the activities of the United Nations Development Fund for Women (A/53/363), said that during the previous year the Fund's work had been focused on the Secretary-General's programme of reform of the United Nations system and on the human rights agenda based on two approaches that emerged from its mandate: its role as an innovator, whereby it highlighted emerging or silent issues that were critical to the achievement of gender equality, and its role as a catalyst, whereby it sought out partnerships to which each partner could bring its comparative advantage to benefit the empowerment of women.

17. The reform agenda had benefited the work of UNIFEM. There had been a significant increase in the activities in which the field offices of the Fund were involved to assist in the implementation of the Beijing Platform for Action, to develop a common country database, to identify and address feminized poverty, especially in a globalizing economy and in a situation characterized by economic crises, and to create new spaces for political participation by women. Those efforts had brought together civil society, Governments, donors and United Nations agencies to engage in policy dialogue and to forge effective strategies and the benefits of that type of coordination to Governments and communities were becoming clearer.

18. There had been widespread interest on the part of Governments and civil society in the area of human rights and the Fund had thus focused its programmes on maximizing interest in innovative strategies for eliminating violence against women. In that context, the Fund had launched campaigns to eliminate violence against women in Latin America, Africa and Asia.

19. In its efforts to mainstream gender at the country level, the Fund had learnt many valuable lessons. All of the issues that had been debated in the months leading up to the announcement of the Secretary-General's reform package were manifest in the Fund's collaborative activities. The challenge that faced the Fund was related in part to testing new approaches and drawing its partners into those efforts. To that end, two of the key mechanisms being developed were, firstly, the expansion of the Fund's field network to increase the gender expertise available to the resident coordinator system and, secondly, the Fund's participation in the work of the United Nations Development Assistance Framework (UNDAF) and in the gender sub-group of the United Nations Development Group.

20. She saw the expansion of the network of gender expertise as supporting United Nations reform and UNDAF and promoting good gender mainstreaming practices in the work of the United Nations on the follow-up to the global conferences at the country level. The ultimate objective was to increase support to countries in implementing the commitments undertaken at the United Nations global conferences on the empowerment of women and gender equality. Over the following two years, the Fund's experience in monitoring and assessing the ways in which the expanded network supported United Nations funds, programmes and agencies at the country level would be a critical component of its work.

21. The Fund's challenge with regard to UNDAF was to ensure that gender emerged as a key cross-cutting issue. It would pursue the idea of a gender audit at the country level, once all the gender advisers were in place. It was also convening a meeting of the UNDG sub-group on gender, which had developed a strategy to feed into UNDAF, and was currently working with the members of the sub-group to develop an agency-by-agency resource map that would allow the Fund to know exactly where and what gender expertise existed at any given moment. That would allow the United Nations country teams quick access to such expertise and enable the gender advisers to benefit from the sharing of ideas and experiences.

22. More than at any other time in history, gender equality was an achievable goal. Achievement of that goal, however, was closely tied to the support that was received from the United Nations system as a whole, from Governments and from civil society.

23. **Mr. Ouedraogo** (Joint Inspection Unit), introducing the report of the Joint Inspection Unit, entitled "Fellowships in the United Nations system" (A/53/154), the objective of which was to identify major management and coordination issues relating to the implementation of United Nations system fellowship programmes and the contribution of those programmes to capacity-building, said that an attempt had been made to propose common terminology for "fellowships" in order to facilitate the preparation of reports. While the recommendation made in that regard might not meet the approval of all concerned, it should be pointed out that the inherent difficulty of that exercise probably explained why secretariats had never reached an agreement on the subject.

24. As a matter of fact, the current report arrived at the same conclusion as another report of the Joint Inspection Unit (JIU/REP/1976/1): the general term "fellowship" covered a wide range of training and learning activities that did not lend themselves to standardized labelling. However, there was a consensus on the need to submit data in an agreed format, in particular when system-wide reporting on fellowships data was made by the Inter-Agency Procurement Services Office in its annual statistical report.

25. The Unit believed that it was more important to ensure that all organizations of the system agreed on the requirements and objectives of any fellowship programme, which must include the following: the activity for which a fellowship has been granted should be in response to nationally approved human resources development plans and policies of the beneficiary country; the selection process should ensure that fellowships were granted only to candidates who had the required qualifications; and all stakeholders should endeavour to ensure that the related training was relevant and had the desired impact.

26. The data provided by the organizations for the period 1990–1995 indicated new trends in fellowship programmes, such as an increased emphasis on short- and medium-term training, a shift in placements from developed to developing countries, greater regionalization of placements and a growing sensitivity to the gender perspective, although improvements could be made in that respect through a more proactive policy in favour of women applicants.

27. Other developments concerned the impact of national execution on the implementation of fellowship programmes and sources of funding for such programmes. In almost all agencies, there was convincing evidence that the number of fellowships granted under national execution had increased and would continue to do so as a result of General Assembly resolution 47/199. Some organizations, such as the International Atomic Energy Agency, the International Telecommunication Union and the World Health Organization, relied heavily on their regular budgets to fund their fellowship programmes, while others had managed to find other sources of financing. Maintaining the level of fellowship programmes would depend increasingly on the ability of organizations to find new sources of funding.

28. While all organizations were convinced that their fellowship programmes had contributed to capacity-building in the beneficiary countries, it was often difficult to assess the real impact of such programmes. In addition to the well-known "brain drain" phenomenon, the report highlighted another factor that the Inspectors called "brain neglect", as a result of which well-trained and competent professionals were not used effectively in their countries' development programmes.

29. In short, the impact of fellowship programmes on capacity-building was a responsibility shared by the different stakeholders. Nominating countries must undertake to use the newly acquired knowledge and skills of the trainees, and the organizations of the United Nations system could contribute to that effort by maintaining and updating data banks on local expertise, to which other development partners would also have access. In that context, evaluation should be considered as an important tool without which the impact of fellowship programmes could be measured only indirectly.

30. The recommendations contained in the report, most of which met with the concurrence of the Administrative Committee on Coordination (ACC), were action-oriented and, if approved, could be conducive to more effective fellowship programmes. A major difference of opinion related to the future of the United Nations Education and Training Programme for Southern Africa (UNETSPA). Some believed that, when its current term expired in April 1999, UNETSPA should become an integral part of the regular programme of the United Nations Development Programme (UNDP) in South Africa. However, the Unit considered that, with the consent of the host country, UNETSPA, by capitalizing on its long experience and network of contacts with South Africa, could become common placement and supervising unit under the authority of the Resident Coordinator. That would be a meaningful contribution to the policy of common services advocated by the Secretary-General.

31. In the Unit's opinion, the report contained two important points: first, the role that the United Nations should play in fellowship programmes and, secondly, the question of inter-agency coordination in that area. With

regard to coordination, the Unit had recommended that the inter-agency secretariat, which was based in Geneva, and the biennial meeting of fellowship officers should be maintained.

32. **Mr. Hidayat** (Indonesia), speaking on behalf of the Group of 77 and China, said that the triennial policy review of United Nations operational activities for development could not be considered in isolation from the precarious situation of the world economy at a time when the forces of globalization and market liberalization were relentlessly changing economic processes. Regrettably, globalization's promise of prosperity for all was becoming increasingly doubtful. Globalization had exposed developing countries to grave risks and had caused setbacks ranging from slowdowns in economic activity to outright economic collapse in what was the most serious financial and economic crisis in the past three decades.

33. In the midst of such turmoil, at a time of increasing needs and demands, concessionary resource flows to developing countries had declined significantly. Far from moving towards the agreed target of 0.7 per cent, official development assistance (ODA) was steadily declining and had fallen from 64 per cent of total resource flows to the developing countries in 1994 to 22 per cent in 1996.

34. In contrast to that contraction, private capital flows had increased rapidly. The developing countries were often told that they should rely more on private capital flows and that ODA should be only a complement to those capital flows. However, the problem was that most low-income developing countries could not attract adequate foreign direct investment, let alone private commercial loans, and were therefore seriously affected by the decline in ODA, on which they had come to depend.

35. For all developing countries, particularly those with little access to private capital flows, United Nations operational activities for development assumed even greater relevance. The triennial comprehensive policy review offered an opportunity to assess the performance of those activities at a difficult time and to search for the best practices both to implement the mandates and to make further improvements in the effectiveness and efficiency of United Nations operational activities. It was essential that such activities should retain their universality, their voluntary and grant nature, their neutrality and their multilateral orientation. They should also be conducted at the request of the developing countries and in accordance with their policy priorities for development. Developing countries should therefore be helped to take on the leading role in advancing and managing their own development processes. Operational activities were an important component of external financing for development and the triennial policy review provided a good opportunity to reinforce the role of the United Nations in that regard. It should be used to confront the severe shortfall in resources suffered by the Organization and to ensure that future funding for operational activities for development was put on a more predictable, assured and continuous basis.

36. The steps already taken by the executive boards of United Nations funds and programmes should be built upon to arrest and reverse the decline in core resources and enhance the effectiveness of operational activities in various ways, including a substantial increase in their funding that would commensurate with the increasing needs of developing countries. If the current deplorable situation was allowed to continue, there would be a drastic reduction in United Nations operational activities. That would run counter to the basic principles and objectives of the United Nations and would have a devastating impact on the development efforts of the developing countries. Operational activities had been designed to help those efforts and should not deviate from that goal. The triennial review should strengthen those objectives and avoid introducing any concept alien to the traditional country-driven activities.

37. The Group of 77 and China commended the United Nations system on the progress made over the past three years, particularly with regard to the resident coordinator system. It was, however, the recipient Governments that had the primary responsibility for coordinating — on the basis of national strategies and priorities — all types of external assistance, including that provided by multilateral institutions. That point should be underlined in the triennial comprehensive review. In that context, the pilot phase of the United Nations Development Assistance Framework (UNDAF) should promote a country-driven response, in conformity with national priorities, as expressed in country strategy notes or relevant development plans. Moreover, only preliminary lessons could be drawn for the triennial review exercise from UNDAF, which was being introduced on a pilot basis in 18 countries and would be subject to assessment in 1998. Ultimately, it would be meaningful for recipient countries only if it led to increased resource mobilization.

38. It was important to stress the growing need to incorporate the regional dimension in operational activities for development and for resident coordinators to secure greater involvement of regional commissions in UNDAF.

39. In an era of globalization it was essential to promote South-South cooperation. In connection with the twentieth

anniversary of the Buenos Aires Plan of Action, the Group of 77 and China welcomed the proposal for a United Nations day for South-South cooperation and the recommendations in the Secretary-General's report on strengthening the integration of economic and technical cooperation among developing countries in the operational activities of the United Nations system. The United Nations Development Programme, moreover, should substantially increase the allocation of core resources to enable the Special Unit for Technical Cooperation among Developing Countries to carry out the mandates of the General Assembly. The matter should be given due consideration in the triennial comprehensive policy review. There was also a need to increase the procurement of goods and services from the developing countries for United Nations operational activities. That issue should be given proper consideration in the triennial comprehensive review; it was of the utmost relevance in efforts to promote South-South cooperation and national execution, which were at the very core of United Nations operational activities for development.

The meeting was suspended at 4.10 p.m. and resumed at 4.20 p.m.

Panel discussion on "United Nations Development Assistance Framework"

40. **Ms. Sadik** (Executive Director of the United Nations Population Fund) welcomed the opportunity for an exchange of views with members of the Second Committee on the United Nations Development Assistance Framework and the triennial comprehensive policy review of operational activities for development of the United Nations system; the two were related.

41. She reiterated the total commitment of the United Nations Population Fund (UNFPA) to the United Nations reforms and to close cooperation both with other organizations in the system and with civil society, with the aim of responding to the needs of the countries in which UNFPA worked. She intended to comment on only some of the issues under consideration, most particularly on the harmonization of programme cycles. Although some progress had been made, there was a need for some adjustments and much remained to be done. The situation had been carefully reviewed within the United Nations Development Group and strict instructions were being issued that a definite plan to achieve harmonization should be drawn up.

42. Harmonization was necessary in order to achieve more common programming approaches, whether through common country analyses, country strategy notes, UNDAF or monitoring and evaluation. Any of those processes gained immensely in value if programme cycles were harmonized among themselves and, even more importantly, with the planning cycles of Governments.

43. Streamlining and harmonization might also involve the elimination of some programming processes. For example, UNFPA had decided that the population assessment of a country could be simplified or dropped if the common country assessment had, in its view, been properly carried out.

44. Countries should also be helped to develop the data systems that they needed, not only for United Nations programmes but also for the management of their own programmes, with the aim both of reducing workload and demands on national counterparts and the offices of the United Nations itself and of delivering more effective assistance to meet national needs and priorities. Those objectives were sometimes overlooked and the intended results were not always achieved. It was important that all processes should be simplified and that mechanisms should be devised to reduce staff time spent on reform-related processes.

45. With regard to the common country assessment it was useful to recall that the concept had been developed at the initiative of the Joint Consultative Group on Policy in 1997. It included the selection of a common set of meaningful indicators, the development of a common database and a common assessment of country needs and priorities, in consultation with Governments. Those were essential steps leading up to UNDAF and should also be helpful for country strategy notes.

46. Field offices were already experimenting with common country assessments and, although the quality varied, efforts were moving in the right direction. The common indicators would need to be limited to a sufficient but manageable list that could provide baseline data. Above all, national capacity in data collection, analysis and use should be built up and strengthened.

47. The common country assessments should be carried out as a collective exercise among United Nations country teams and national counterparts and should necessarily involve the participation of Governments, all relevant national groups and all parts of the United Nations system, including the regional commissions and the Bretton Woods institutions. In future, common country assessments must become a standard feature of the harmonized programme cycles and a precursor to the preparation of UNDAF and individual country programmes.

48. In the formulation of common country assessments, country strategy notes and UNDAF, greater consideration should be given to the follow-up to conferences and to how the United Nations system and the donor community in general could assist the country concerned in achieving goals agreed in the series of conferences. That implied a more active use by the country offices and by government staff of the various materials produced by the ACC Task Forces as a follow-up to conferences. It was sometimes clear that, within the United Nations country teams and at various levels of the organizations of the United Nations system, there was not sufficient understanding about the conferences. Therefore, briefing and training exercises were needed in order to facilitate the implementation of the goals agreed at those conferences, adapted to national needs and priorities.

49. It was also vital to have a resident coordinator system that functioned well, was transparent and impartial to ensure that the resident coordinators had the trust of all and looked after the interests of all organizations equally.

50. Recognizing the centrality of funding and resources was a responsibility shared by programme and donor countries. It implied both a better utilization of existing resources as well as the imperative of mobilizing additional resources. It must be ensured that there was a more predictable, stable and steady increase in resources. In that regard, she greatly appreciated the statement made by Ms. Eveline Herfkens, Minister for Development Cooperation of the Netherlands, before the Second Committee and hoped that other donor countries would emulate that example.

51. **Ms. Bellamy** (Executive Director of the United Nations Children's Fund) said that, for the sake of brevity, she would refer only to UNDAF.

52. Eighteen countries had been selected to take part in the initial pilot phase of the UNDAF process and the specialized agencies and Bretton Woods institutions had also been invited to take part therein. In nearly all cases, the resident coordinator system had also participated. It had also been agreed that Mali and Viet Nam would serve as pilot sites for review of the interface between UNDAF and the World Bank's country assistance strategies.

53. During the last two months, an assessment team made up of representatives from the United Nations and four agencies, namely, the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA), the World Food Programme (WFP) and the United Nations Children's Fund (UNICEF), had reviewed the UNDAF experience to date. In addition, the United Nations Development Group (UNDG) had commissioned an independent review by an external panel of three high-level experts who were independent of the United Nations but were familiar with the issues. Those two assessments had been part of a major review of UNDAF that had been carried out by various agencies and inter-agency bodies, three country teams and various Governments. In addition, UNICEF had conducted its own internal assessment of the UNDAF pilot phase involving representatives from the pilot countries.

54. It should be recalled, as the triennial policy review stated explicitly, that the introduction of UNDAF responded to the concerns of Governments, as expressed in previous triennial policy resolutions, for greater collaboration, cohesion and complementarity among United Nations agencies. UNDAF responded to national priorities and commitments as expressed in national development plans, international conventions and the plans of action of international summits and conferences. UNDAF must remain a process and document developed and agreed at the country level.

55. The strikingly similar overall conclusions and recommendations that had emerged from the assessment exercises included the following: UNDAF should be a strategic instrument and the primary United Nations instrument for responding to a country's priorities and development challenges and should be prepared with the concurrence and full and active participation of Governments; the United Nations global agenda, including follow-up to the international conferences and the eradication of poverty, should form the core of the UNDAF agenda, always in support of country needs and national priorities; UNDAF should strengthen the capacity of host Governments to implement their development programmes and strengthen the relationship between the United Nations and host Governments; UNDAF should contain provision for monitoring and evaluation in accordance with agreed indicators; UNDAF required a clear statement of host Governments' priorities through a country strategy note or similar document and a common country assessment should precede its preparation.

56. The UNDAF pilot process had played a tremendous role in strengthening and energizing the many aspects of inter-agency collaboration. UNDAF had provided the basis for the historic first joint session of the Executive Boards of UNDP/UNFPA and UNICEF, and UNDAF had formed the core of the discussion in the operational activities segment of the Economic and Social Council with the United Nations country teams of Guatemala and Mozambique.

57. As a key mechanism for efficient and cost-effective United Nations coordination, UNDAF also had an important

role in the achievement of the end-decade goals of the World Summit for Children and in the full implementation of the Convention on the Rights of the Child. Within the United Nations Development Group, the ad hoc group on the right to development, jointly chaired by the United Nations Centre for Human Rights (UNCHR) and UNICEF, a unique opportunity existed to promote a national dynamic in the process of development that was both informed by human rights imperatives and designed to enhance their realization.

58. The achievement of those objectives — the success of operational activities, the speedy implementation of the actions called for in the triennial policy review and the full implementation of the Secretary-General's reforms — hinged on a key factor, the availability of adequate resources, which implied an early reversal of the overall decline in resources for development. In that connection, it was vital that the General Assembly should support action to ensure adequate, predictable, sustainable and increased funding through voluntary contributions, especially for general resources, which constituted the essence of multilateralism.

59. **Mr. Speth** (Administrator of the United Nations Development Programme and Chairman of the United Nations Development Group) said that, in its work concerning the comprehensive triennial policy review of operational activities for development, UNDG had followed the objectives and mandates contained in General Assembly resolutions 47/199 and 50/120 and the principles contained in the Secretary-General's reform proposals.

60. In line with the division of tasks established within the Group, UNDP focused on the management and functioning of the resident coordinator system. In August 1997, specific guidelines were issued requesting resident coordinators, *inter alia*, to ensure that all agencies were fully and equitably represented at the national level; to devote their time to coordination and to always give priority to the system even if there were conflicts with the functions that they performed for another agency, including UNDP; and to indicate when they were overwhelmed with other tasks so that a deputy resident coordinator could be appointed to deal with those tasks (that was being done in over 12 countries).

61. Various aspects of the system had been improved. The resident coordinator was drawn from an expanded pool of candidates from the United Nations system. Five years previously, only one resident coordinator had been from outside UNDP. In 1998, 30 per cent of the intake of resident coordinators originated in organizations other than UNDP. Efforts were being made to increase the proportion of women. A new selection procedure involving greater participation, transparency and consultation had been agreed; it would begin to be implemented in 1999. The performance of resident coordinators would be appraised and all members of their country teams would be covered by the appraisal process later. The inputs of the entire United Nations system and the self-evaluation of resident coordinators had been included in the annual reports on the resident coordinator system. The post profile for resident coordinators had been reviewed and, in conformity with General Assembly resolutions 50/227 and 51/240 and the report of the Secretary-General (A/51/950), cooperation with the Bretton Woods institutions was being intensified and efforts would be made to distribute responsibilities between those institutions and the United Nations.

62. There were still some outstanding issues. They included identifying cost-effective ways of increasing the capacity of the office of the resident coordinator; refining reporting systems in order to create more productive information-sharing and experience exchange between country teams and headquarters; promoting procedures for disseminating the best practices in coordination; and examining how resident coordinators and country teams could be assisted to identify and respond to incipient humanitarian crises.

63. The United Nations Development Group was concerned that donors, especially the majority of the members of the Group of 7, had reduced official development assistance. All the work of the United Nations (peace and security, humanitarian questions, drugs, human rights and democratization) was based on the development platform it had built throughout the world which had earned the trust and affection of its recipients. If that platform was not bolstered with the necessary resources, it would collapse.

64. **Mr. Powell** (Director, Division of Strategies and Policies of the World Food Programme) said that, consistent with the overall objectives of the Secretary-General's reform proposals, the United Nations was moving in the direction of formulating and implementing more strategic approaches to its operational activities in both the development and humanitarian fields. For those countries and regions experiencing complex emergencies, efforts were under way to strengthen the consolidated appeals process into a more effective inter-agency programming process for identifying humanitarian priorities, elaborating plans of action and presenting resource requirements. The Administrative Committee on Coordination (ACC) was working on the formulation and implementation of a strategic framework to guide analysis and action in countries in or recovering from

crisis, where the United Nations assumed a leadership role in conflict resolution and peace-building efforts.

65. In accordance with the division of responsibility established in the United Nations Development Group, WFP had focused on some specific aspects of UNDAF. One such aspect was the linkage between relief and development. Often, the provision of development and emergency assistance coexisted in the same country. In the Sudan, for example, the Programme provided food assistance to young children attending primary school in one part of the country while it was responding at the same time in another region to a major humanitarian crisis linked to civil strife and recurring natural disasters. In recognition of the widespread disruption to lives and livelihoods which often accompanied natural disasters, WFP was working to incorporate prevention, preparedness and mitigation measures more systematically into its development activities. While it was important to link experience and capacities related to relief and development, the practicality of doing so had been hampered by a number of factors such as the conflict between the short-term perspective of relief and longer-term focus of development; the fact that humanitarian and development organizations often did not coordinate their work in the field and failed to integrate their strategies; the unpredictability of relief assistance from year to year; the dramatic decline in the level of development funding available and the difficulty of securing resources for rehabilitation, reconstruction and recovery. Many people supported development activities in disaster-prone areas and assumed, therefore, that such activities must have a mitigating effect when disaster struck. However, the dynamic nature of natural disasters and the diversity of the situations that they created for the people called for specific mitigation objectives in order to improve the effectiveness of prevention efforts. It was better to prevent destitution than to alleviate hunger; the timing of when assistance was provided could be crucial. The lines between emergency relief, recovery and development were not as distinct as it had been previously believed and situations changed with rapidity from one category to the other. While everyone recognized the importance of disaster preparedness and prevention, the conditions imposed by donors complicated matters, since donors allocated funds for specific budget lines and agencies.

66. The issues that were being addressed in the United Nations Development Assistance Framework (UNDAF) were similar to those faced by national Governments. By adopting the Framework, the United Nations system had given itself the wherewithal to make real progress, learning as it proceeded.

67. With regard to resources and funding, the United Nations had begun a process of reforms at a time when donors were tending to cut back on funding. The priority objectives of the planned operational activities of the United Nations organizations should therefore be clearly structured in UNDAF, and there should be a clear division of labour that highlighted the comparative advantages of each organization. It would be necessary to convince the United Nations system, Governments and international donors that all the money spent in an UNDAF programme of activities was well spent. However, that was no substitute for an adequate level of funding for operational activities for development. The problem of declining resources was compounded by the lack of predictability in the timing of their availability and the increasing tendency for donors to earmark their contributions. It must be recognized that, within more integrated programme approaches, such as UNDAF and the consolidated appeals process, the effectiveness of operational activities of individual organizations became much more dependent on the availability of resources for a programme as a whole. The more an organization depended on another organization with which it carried out complementary activities, the more at risk it would be if its partner was prevented from implementing its activities owing to a lack of resources or capacity. Solving the problems through collaborative efforts within the United Nations system was not always easy.

68. More coordinated approaches for programming within the United Nations system offered opportunities for the mainstreaming of gender issues within the operational activities of development and humanitarian organizations. For example, WFP cooperated with the Office of the United Nations High Commissioner for Refugees (UNHCR) to support women in crisis situations, with UNICEF and the United Nations Educational, Scientific and Cultural Organization (UNESCO) to increase the primary school enrolment rate among girls, and with the United Nations Development Fund for Women (UNIFEM) to enhance staff capacity to address gender issues. The United Nations Development Group had sought to incorporate the gender perspective into UNDAF, which was reflected in the UNDAF guidelines and the indicators for monitoring and accountability.

69. Much more work was required to examine the linkages between UNDAF, the consolidated appeals process and the strategic frameworks with a view to ensuring the sustainability of actions initiated and finding ways of dealing with practical problems faced on a daily basis. So far, assessment had focused on process; emphasis must now be placed on the substantive and operational dimensions of the

various strategic processes. The office of the United Nations Development Group and the Executive Committee on Humanitarian Affairs and the Executive Committee on Peace and Security were currently discussing those and other pending matters.

70. **The Chairman** invited delegations to ask questions and make comments.

71. **Ms. Wörgetter** (Austria) asked what progress the United Nations funds and programmes had made in harmonizing country programmes and decentralizing and delegating authority in the field in order to facilitate the implementation of a process like UNDAF, which took place in the field.

72. **Mr. Verbeek** (Netherlands), referring to the remark by the representative of WFP that emphasis should be placed on the substantive and operational dimensions of the various strategies, said that his question related to the substantive aspect of coordination. Since one of the main objectives of UNDAF was to ensure follow-up of the major United Nations conferences, he enquired whether UNDAF was also involved in coordinating activities at the headquarters level; in other words, he wished to know whether the funds and programmes considered the programmes of work and annual reports together at the headquarters level and whether they provided joint assistance to work carried out in the field in order to determine, assess and select priorities for following up conferences. He also asked whether there were thematic groups at the headquarters level similar to those at the field level, and he wished to know how the thematic groups at the two levels related to each other.

73. **Mr. Kvalheim** (Norway) said that, as the participants in the panel discussion had pointed out, the availability of resources was important for the functioning of UNDAF. The way in which voluntary contributions were used was also important. The preliminary assessments seemed to raise two questions: lack of participation of Governments in the process, and increased volume of work as a result of the many operational initiatives from previous years. UNDAF must rationalize and consolidate some of those initiatives. The main obstacles to greater participation at the country level should be indicated and a consolidated approach should be adopted.

74. **Mr. Cabactulan** (Philippines) asked whether, in accordance with the pilot projects that UNDAF had carried out in a number of countries, it could be reasonably assumed that the country strategy note could be used to accelerate or facilitate results, or whether it was advisable to dispense with that immediate and voluntary resource in favour of a mechanism that was more related to the process. Given the cost of coordination, he asked whether, if the necessary resources were unobtainable, it would be worth proceeding with UNDAF at the risk of jeopardizing its effectiveness.

75. **Mr. Pérez** (Dominican Republic) expressed his thanks for the assistance his country had received from the international community to alleviate the effects of Hurricane George, and asked the speakers what action the various United Nations humanitarian programmes had taken to assist the countries affected by the hurricane.

76. **Mr. Speth** (Administrator, United Nations Development Programme), replying to questions, said that while the participants in the panel discussion considered decentralization to be very important, there were still difficulties in putting it into practice, particularly in the specialized agencies. With regard to harmonization of programming cycles, the United Nations Development Group had drawn up a plan for reaching that objective within three years; so far, harmonization had been achieved in 32 per cent of the countries. He attached paramount importance to that process which, together with the implementation of common country assessments, would be an adequate prelude to the success of UNDAF.

77. Follow-up to major conferences was, without a doubt, the main objective and guiding principle of UNDAF. The problem was to determine how each country wished to proceed; that was part of the dialogue that had been initiated with Governments and actors in civil society, and it would also be the subject of future annual reports. The United Nations Development Group had studied those reports to ensure that they included that question.

78. With regard to the thematic groups, four inter-agency task forces at the headquarters level provided guidance to country teams on follow-up to conferences, and the United Nations Development Group had set up thematic groups that dealt with the issues of gender, the right to development and human rights; thus, coordination was maintained also at the headquarters level.

79. The United Nations Development Assistance Framework should be able to count on the full participation of Governments, the principal partners of the United Nations country teams for the duration of the process. Governments should take part in preparation from the very beginning, as well as in the common country assessment; that was why consultative mechanisms should be established in the UNDAF process in order to ensure Governments' support and cooperation. The assessment of UNDAF that had just been carried out emphasized those conclusions.

80. **Mr. Lundborg** (Sweden) said the entire UNDAF process was geared towards a country-driven response by the United Nations system. Nevertheless, the statement by the representative of the Group of 77 and China had revealed that there were some reservations in that regard. His delegation was aware that some countries had welcomed the UNDAF process, since they believed that it would facilitate a more integrated response to their needs. In that connection, he wished to know whether difficulties had been encountered in other countries in the consideration of common country assessments and the establishment of the UNDAF process. While it was not easy to identify the countries in which difficulties had been encountered, his delegation considered that a reply to that question would be of great importance to the debate and negotiations on the resolution that would be adopted on the subject.

81. **Mr. Amaziane** (Morocco), referring to the group of organizations that were taking part in the panel discussion, wondered whether they were truly representative of the problems encountered in the field. He would have preferred to see on the podium representatives of other bodies of the United Nations system that were facing problems, so that the discussion could have been about what was not working well.

82. In the report on the triennial comprehensive policy review of operational activities for development of the United Nations system (A/53/226), no clear positions had been taken. He had the impression that it was a negotiated report, an agreed text in which positions were expressed with extreme caution; on the eve of the third millennium, a different text might have been expected. For example, according to the report, little progress had been made in rationalizing programming procedures. Given the fact that the complexity of programming procedures was the Gordian knot of operational activities implemented at the country level, the report should have indicated why so little progress had been made in that area. Likewise, the report contained a small section dealing with official development assistance (ODA) in which it was noted that ODA resources had declined, but the reasons for that decline were not given.

83. The report referred to new concepts that were being put into practice in connection with the country strategy notes, and he hoped that the necessary resources would be made available to implement that new approach.

84. **Mr. Chowdhury** (Bangladesh) said that, while Bangladesh had a favourable opinion of the UNDAF process, it considered that the enthusiasm of the participants in the panel discussion was premature: it was necessary to wait and see what the results of that process were. He agreed with the representative of Morocco that it was necessary to inform Member States of difficulties that had been encountered. It was also important that the process should proceed gradually. His delegation was concerned that the next triennial review might begin discussing another framework, design or strategy instead of strengthening the UNDAF process.

85. The United Nations Development Assistance Framework should not only help harmonize country programmes, but should also promote a standard-setting dialogue between development partners in the field. If that dialogue had taken place, he wished to know the format in which it had been held and what the results had been.

86. Referring to the statement by the Administrator of UNDP, he asked how follow-up to conferences at the country level was related to follow-up at the international level, considering that it was necessary to establish coordination and integration at both levels.

87. **Ms. Blackburne** (United Kingdom of Great Britain and Northern Ireland), referring to the lessons learned from the UNDAF pilot phase, said that, with regard to the human element and the participation of agencies in the Framework, the achievement of positive results would require a real change at both the headquarters and field levels, and not simply a compilation of existing programmes. The speakers should refer to the measures that had been envisaged to train staff to ensure maximum implementation of UNDAF activities. Information should be provided on the participation of the specialized agencies and the experience gained from the implementation of the Framework in Viet Nam and Mali, which had been selected as two pilot countries, particularly with regard to the possible future participation of the World Bank.

88. **Mr. Hidayat** (Indonesia), speaking on behalf of the Group of 77 and China, said it appeared that UNDAF was becoming a kind of panacea in the area of operational activities, but that, given the complexity of the issues involved, it was necessary to be extremely cautious. While the importance of coordination was clear, there was a danger that the resident representatives would be overly involved in coordination, to the detriment of their responsibilities for executing United Nations plans and programmes, with the waste of human and financial resources that that would entail. Furthermore, if the results showed within 5 or 10 years that UNDAF was not as productive as had been expected, that could be harmful to operational activities. In that regard, he recalled the euphoria, perhaps excessive, that the country strategy notes had elicited, and the fact that not all countries had such notes.

89. It was necessary to place UNDAF in its proper perspective; what was most important was the role that Governments should play, and that they should be able through UNDAF to mobilize resources for operational activities. The question arose, moreover, of how long it would take to formulate an assistance framework in a given country, bearing in mind that there were 137 countries to work with and that the assistance frameworks were different in each country. In addition, he would be grateful for information on whether steps had been taken to give a social dimension to the assistance framework in all receiving countries.

90. **Mr. Rohner** (Observer for Switzerland) noted with satisfaction that the common country assessments were regarded as essential tools for the preparation of the assistance frameworks; since the experience gained in 18 countries was now being analysed, he wished to know what specific benefits had been derived from the assessments.

91. It was true that the assistance frameworks were not a panacea. They were useful tools which should be adapted to national criteria and to the specific experiences of on-site teams; hence, they could not be formulated in the same way for all countries. It was also true that it would be overly ambitious to expect all United Nations organizations to participate in UNDAF from the beginning; however, they should all be invited and allowed to participate when they were willing and able to do so, without delaying the process.

92. **Mr. Prendergast** (Jamaica) stressed the role of Governments and the need to take into account the characteristics of each country. In view of the limited experience of the pilot phase, it would be useful to know the panellists' views concerning the real prospects for UNDAF and its institutionalization, as well as the obstacles that had been encountered at that stage in the establishment of the assistance frameworks.

93. **Mr. Tomasi** (France) said that it was necessary in the first place to consider the costs of the UNDAF process and the system of resident coordinators. While it was understandable that the UNDAF process would require time and effort, it must be recognized that its costs stemmed from the diffuse nature of the system. Each fund, programme and agency had developed its own programming methods and projects, and that was why the task of coordination required substantial effort. In addition, a cost-benefit analysis should be done, and it was to be hoped that the assistance frameworks would produce ever greater benefits at lower cost.

94. For most of the 18 countries participating in the experimental phase, a document had been prepared which it must be assumed had been analysed by the United Nations Development Group. His delegation wished to know whether that analysis had given rise to common objectives, clear priorities and a greater division of labour, so as to lay the groundwork for common programming.

95. **Mr. Khare** (India), after commending the UNDAF process, said that since his country had been one of the countries included in the experimental phase, it had obviously participated in the process up to a certain point. In his view, UNDAF had been designed to prevent duplication and to support the development priorities of the developing countries. Bearing in mind that the coordination of development activities and external assistance was the responsibility of Governments, it was necessary to ensure that they were the ones controlling UNDAF, which, in turn, required the full participation of Governments at all stages of the process from its inception.

96. It would be useful to know how questions which did not relate to a specific organization, and those relating to organizations that were not represented in a given country, were dealt with in UNDAF. He wished to know what UNDAF contributed to the United Nations system in terms of added value.

97. It was also unclear how UNDAF ensured that the relations which a Government had established with specific United Nations programmes and organizations would not be marginalized by the attempt to establish a single cooperation mechanism. That was particularly important in big countries where many programmes and agencies operated.

98. With regard to resource mobilization, his delegation shared the views expressed by Indonesia, Bangladesh and Morocco.

99. Lastly, it should be noted that even in countries where UNDAF was being carried out in its experimental phase, there was only one document, however important it might be. Inasmuch as the impact of that document on operational activities and, above all, on the development of the receiving countries would be known only after a few years had elapsed, it was preferable not to make value judgements about UNDAF for the time being, but to express the hope that it would prove useful for the receiving countries and for their relations with the United Nations.

100. **Mr. Kebede** (Ethiopia) said that his country, like any other country, had its own development strategy and intersectoral programmes which had been developed in consultation with the United Nations, the World Bank and regional banks, institutions which had a clear-cut role in those programmes. Accordingly, it was difficult to grasp the

specific role of UNDAF in countries where clear-cut development strategies and investment programmes already existed. He wondered whether such cases did not give rise to duplication.

101. **Ms. Bellamy** (Executive Director of the United Nations Children's Fund), replying to the comment made by the representative of Indonesia to the effect that UNDAF could not be viewed as a panacea, pointed out that none of its proponents had suggested that it was perfect. The results of the experimental phase had been said to be positive in the sense that there had been relatively broad participation during the formulation of the assistance frameworks. It was true that some deficiencies had been noted. It had been observed, for example, that Governments should have been more involved from the very beginning of the process, including in the preparation of the common country assessments; that a way must be found to involve civil society and non-governmental organizations; and that UNDAF should be introduced gradually, so that experience could be absorbed as the process unfolded, and the lessons learned could be applied to the planning of future activities.

102. She also wished to point out that assistance frameworks should not be confused with country programmes. UNDAF was a conceptual tool designed to give greater coherence and unity of purpose to the programming of United Nations operational activities at the country level, while country programmes were clearly associated with their respective funds and programmes and each one had to be adopted by the corresponding executive board.

103. The United Nations Development Group (UNDG) had raised other questions in the context of the Secretary-General's reform proposals. For example, with regard to the relationship between strategic frameworks and UNDAF, it was possible that UNDAF would be replacing strategic frameworks, since it was better suited to development activities. The UNDAF process had barely begun: it had been launched on the basis of the Secretary-General's recommendation; preliminary guidelines had been drafted; and its structure was now being established. There was still no final analysis of cooperation with the Bretton Woods institutions; however, it seemed that the results of cooperation in Mali and Viet Nam had been positive.

104. Lastly, in response to the question posed by the representative of the Dominican Republic, she clarified that each programme had taken specific assistance measures in the countries affected by Hurricane George.

105. **Ms. Sadik** (Executive Director of the United Nations Population Fund) acknowledged that the United Nations Development Group had not devoted sufficient time to organizing briefings and providing guidance on the follow-up of international conferences. Although the item had been included in the agenda of the Economic and Social Council for the past two years and had been addressed by the Administrative Committee on Coordination, there were no recommendations, for example, on how to proceed, or on how to draw up common indicators that could be applied to a number of conferences, or separate indicators in the case of others. Perhaps the linkages among the various conferences could be established with a view to formulating general guidelines. An evaluation of the pilot phase of the development assistance frameworks had established that there were also no guidelines on how to utilize conference-related material and that there had been no instructions on how to elaborate a common programme in consultation with Governments.

106. Much remained to be done with respect to the simplification and harmonization of standards and procedures. Within UNDG, there was a task force that dealt with the matter. It was to be hoped that, once UNDAF was accepted, current procedures could be replaced, making it possible to reduce the excessive workload. Another disadvantage was that the funds donated for certain countries were not allocated to UNDAF but rather to the resident coordinator system.

107. One of the shortcomings brought out by the evaluation was that the headquarters were not sending a unified message; consequently, interpretations at the country level had been varied. Training programmes and briefing sessions should have been organized for country teams.

108. A number of delegations had enquired about the real value added of UNDAF. One of its advantages was that it would contribute to the establishment of a common database in the country, for the country and with the country, which was a basic tool for a useful situation analysis; the common country assessment was one such element. Another advantage was that, through UNDAF countries received assistance in designing a common approach to situation analyses of priority sectors or needs. Despite their common approaches, the situation analyses contained the views of each stakeholder in development.

109. Since the evaluation had brought out that Governments had not participated sufficiently in UNDAF, an effort was being made to define the role they could play. Thematic working groups, which must evolve from forums for the exchange of information to decision-making bodies, had been extremely valuable in some countries, particularly in the education sector, in which the stakeholders had elaborated coordinated and integrated programmes. Much

more could be done in the health sector, and in intersectoral areas as well, if difficulties with regard to accountability, resources and the differentiation of the mandates of the funds and programmes could be ironed out.

110. The question of the participation of the specialized agencies had been addressed, including with the Secretary-General. She agreed with the Observer for Switzerland that the participation of all entities of the United Nations system would be overwhelming. While it was important for Governments and other entities to set priorities, the competent agency and the United Nations should have sole responsibility for policy-making. Lastly, she was not aware that there had been problems with the Governments of the 18 countries which had participated in the pilot phase.

111. **Mr. Powell** (Director of the Strategy and Policy Division of the World Food Programme) said that, in terms of lessons learned thus far, guidance had been given by the creators of UNDAF themselves. In that connection, he referred to the UNDAF document on Viet Nam, which gave an account of the experience and the practical difficulties encountered in the process. In that same context, there was every indication that the participation of the World Bank had been extremely positive.

112. Regarding the substantive questions to be considered in the joint meetings of the various executive committees, there should be an exchange of ideas with the overall aim of moving away, as soon as possible, from the general delivery of assistance to another, more differentiated modality based on dialogue. That modality would involve specific action targeting specific groups of people.

113. Another problem was the reintegration of returnees — both refugees and internally displaced persons — which was also a substantive question relating to the process. Additional substantive questions included the need to defend principles, particularly in the fields of human rights and women's equality; the difficulties of working with a national authority that was not always easy to identify; community involvement in decision-making and the implementation of decisions; and the assignment of adequate personnel to the right place at the right time. Still other considerations included monitoring the safety of personnel and obtaining sufficient financing for rehabilitation, emergency or development measures.

114. Explaining why there was not greater participation by the specialized agencies, he said that the question had been raised by the Executive Director of WFP in the past two sessions of the Economic and Social Council; perhaps it would be more appropriately dealt with by the members of the Committee and the executive boards. Nevertheless, problems of collaboration and coordination should be considered, particularly in connection with specific questions of interest to delegations.

The meeting rose at 6.20 p.m.